THE GREYHOUND CORPORATION 1975 ANNUAL REPORT

AR32

GERALD H. TRAUTMAN
Chairman, The Greyhound Corporation

If not us, who?

For some time now, a savage, punitive spirit has been abroad in America, one which threatens and indeed promises to shake the pillars of our American economic system and send it crashing down around us.

What is so alarming about these attacks is not that they are leveled, but that they have gone unchallenged so long.

In this regard, corporations must shoulder much of the blame. For too many years we have assumed that the excellence of the free enterprise system... a system which has so consistently and measurably enhanced the well-being of the majority of the American people... was obvious to all. In that assumption, business and industry erred. We are finding, to our sorrow, that Complacency has a friend and her name is Apathy. The three of us have been walking hand in hand for too long now.

I find it appropriate then, in this 200th year of our nation's existence, that those of us who work within and benefit by the free enterprise system engage in a little forthright drum-beating. For if we do not, then who will?

Make no mistake about it... our nation has written a remarkable chapter in the history of mankind with a pen called Profit. The American people now have over a trillion dollars in annual spending power and our Gross National Product has soared well above the $1.5 trillion mark – by far the greatest of any country in the world. America's efforts to eradicate poverty, reverse the effects of pollution,

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GERALD H. TRAUTMAN
Chairman, The Greyhound Corporation

raise the socio-economic horizons of the have-not nations—these have all been subsidized by the wealth generated by just one sector of the economy...business and industry.

But despite this, the American economic system as we know it today is an endangered species.

Corporations, which are favorite targets for attack, are being portrayed as huge impersonal monsters. Profit itself is being harangued as an immoral "win/lose" contest in which profit for the corporation inevitably means loss for someone else.

In defense of the corporate system, let me tell you something about Greyhound. The wealth generated by our operations fans out in all directions for the public well-being.

Greyhound furnishes jobs to some 53,000 employees—bus drivers, baggage handlers, meat cutters, cannery workers. It is these employees who make the corporate system work and for this they were paid $775 million in 1975.

Greyhound also furnished the livelihood for many of its suppliers, including American farmers to whom it paid one billion four hundred million dollars in 1975. There is no way that the farmers could get this vast amount of produce to consumers except with the help of the corporate system...and entities like our Armour and Company.

A percentage of our profit goes to our 200,000 shareholders, none of whom owns as much as one percent of our stock and many of whom are those very same bus drivers, baggage handlers, meat cutters and

(Continued on back cover)

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FINANCIAL BRIEFS

	1975	1974	1973	1972	1971
Revenues of Continuing Operations (millions)	$3,748	$3,469	$3,421	$2,953	$2,742
Income of Continuing Operations before Extraordinary Loss (millions)	$ 81.2	$ 68.2	$ 79.8	$ 70.1	$ 67.6
Discontinued Operations (millions)		(10.2)	(3.4)		2.9
Extraordinary Loss (millions)				(3.3)	
Net Income (millions)	$ 81.2	$ 58.0	$ 76.4	$ 66.8	$ 70.5
Income Per Share of Continuing Operations (dollars)	$ 1.87	$ 1.62	$ 1.89	$ 1.67	$ 1.68
Net Income Per Share (dollars)	1.87	1.37	1.81	1.59	1.76
Average Number of Common Shares (millions)	43.4	42.2	42.1	41.9	40.1

Greyhound Executive Office

Gerald H. Trautman   James L. Kerrigan   Ralph C. Batastini   Clifton B. Cox   Raymond F. Shaffer

MESSAGE FROM YOUR MANAGEMENT

Dear Shareholders:

In last year's message to you, I indicated that 1975 would see major gains for The Greyhound Corporation. I am pleased to report that this prediction materialized. The year 1975 was one of outstanding accomplishment for Greyhound. Not only were we able to overcome the major problems which plagued us in 1974, but we attained the best net income in Greyhound's history despite an atmosphere of economic recession. The credit for this remarkable recovery should go to our 53,000 employees who worked with great dedication to bring this about. On behalf of the Board of Directors I express appreciation to my fellow employees for their performance in 1975.

1975 Results

Specifically, Greyhound had net income of $81.2 million on revenues of $3.7 billion in 1975, up from $58 million net income on $3.5 billion of revenue in 1974. On a per share basis, this amounts to $1.87 in 1975 compared with $1.37 in 1974, or an increase of 36 per cent. The Greyhound Corporation's performance in 1975 was influenced by the problems that faced all business — recession, inflation and higher costs of energy and labor. More important than the difficulties, however, was our ability to overcome them and the fact that all six of our product and service groups were profitable.

1976 Outlook

While forecasting is never an exact science, in times of uncertain economic conditions it becomes even more precarious. Nevertheless, we are optimistic that 1976 will also be a good year. Intercity bus transportation, which suffered a marked decline in both patronage and net income in 1975, should benefit in 1976 from the activity generated by Bicentennial celebrations and the Summer Olympics in Montreal.

Armour's food operations, which had a remarkable recovery in 1975 despite a serious shortage of hogs, should sustain their momentum in 1976 as this commodity becomes more plentiful.

Armour-Dial, with several new products on the market, is anticipating a good year in 1976, as are our Leasing, Services and Food Service groups. We therefore look forward to the remainder of this year with a considerable feeling of confidence.

Expansion

1975 was also a year of accomplishment in the expansion of Greyhound's activities and facilities. This expansion occurred both through acquisitions and internal diversification. We completed the acquisition of Vermont Transit Lines, and have reached an agreement for the acquisition of Sun Valley Lines and Tanner Gray Line of Phoenix — both of which fit nicely into our existing bus service. We also acquired Wernecke Studios, Inc., giving us a convention servicing ability which we previously did not have in the important Chicago area. We acquired Blood Plasma Services, which now provides Armour Pharmaceutical with a reliable source of human blood for its rather substantial blood fractionating operations. And late in the year we acquired the Faber Enterprises, which principally operates food service facilities in Chicago. This gives us additional capability which we can extend throughout our terminal and food operations.

Internal expansion also continued in 1975. Greyhound became a substantial participant in the reinsurance business through the establishment of its three Pine Top Insurance Companies — one in Illinois, one in Bermuda and one in the United Kingdom. A new bus manufacturing plant was put into operation at Roswell, New Mexico, and an average of more than one new bus a day rolls off that assembly line. To provide a well-rounded service for the purchasers of our buses, in 1975 we established a new company, Universal Coach Parts, Inc., to supply bus parts to the entire industry. Two other new ventures, Greyhound Support Services and Research Information Center, did well in their first full year of operations and are looking forward to increased business in 1976.

Financial

We successfully issued $75,000,000 of long-term debentures of Armour and Company early in 1975 and $100,000,000 of long-term debentures of The Greyhound Corporation in January 1976. It is the view of management that in our inflationary economy, long-term fixed rate financing is highly desirable. The proceeds received from the financing were used principally to reduce short-term bank debt and to augment working capital. Greyhound has a very sound financial structure with stockholders' equity reaching a new record of $615,000,000, working capital amounting to $221,000,000 and earnings at an all-time high.

Personnel

Finally, I am pleased to report several significant appointments in 1975. Dr. Norma Compton, dean of the School of

Home Economics at Purdue University, was elected a director of Armour and Company. Her experience in both the food and the textile fields will be of great benefit to the Armour operations.

At the corporate level, several appointments were made:

- John Teets, who was formerly with Greyhound Food Management, returned to Greyhound as Group Vice President of Food Services. Mr. Teets' experience in the food service business should aid us in putting this group on a more profitable basis.
- Dorothy Lorant was elected Vice President-Public Relations and Advertising. Mrs. Lorant comes to Greyhound with a substantial background of experience in both public relations and newspaper work.
- Peter McManus was elected Vice President-Planning, replacing James Speer who retired under our mandatory retirement program. Mr. McManus has been engaged for several years in the financial activities of both Armour and Greyhound.
- Stanley Segal was elected Vice President-Florida in recognition of the increased importance of that state in Greyhound's operations.

In its first full year of operation, the Executive Office arrangement has worked well and appears to be accomplishing its purpose. The calibre of our other executives, both at headquarters and in the field, continues to be outstanding. So as we move into 1976, we are well equipped with the people, the facilities and the finances to make this another good year for Greyhound.

Before closing, I would like to call your attention to the cover of this annual report which carries a message of vital concern to every shareholder. I urge you to read it.

For the directors,

Gerald H. Trautman

Gerald H. Trautman
Chairman of the Board and
Chief Executive Officer

DESCRIPTION OF BUSINESS

The Greyhound Corporation is a holding company with numerous subsidiaries whose business activities can be categorized into six general groups involving approximately 53,000 employees.

Transportation: The subsidiaries in this group are engaged in intercity passenger bus operations (including the shipment of small packages and mail), bus manufacturing, airport ground transportation, sightseeing and travel agency operations. The Greyhound bus system operates approximately 4,800 intercity buses in regular service throughout the continental U.S., and in Canada and Alaska over a total of 119,700 route miles, owns or leases 225 bus terminals and 61 garage maintenance facilities in major U.S. cities, and is additionally represented in smaller communities by approximately 3,200 independent commission agents. The operations of the transportation subsidiaries are regulated by the Interstate Commerce Commission and state regulatory agencies.

Food: The operations of this group are conducted principally by the Armour Food Company division of Armour and Company and include the processing and selling of meats, animal products and their by-products, and manufacturing or processing of other food products, including poultry, eggs, butter, cheese, vegetable oils, margarine and shortening. Food products under a number of trademarks, including *Golden Star, Armour Star, Miss Wisconsin, Tes-Tender,* and *Cloverbloom* are marketed primarily to wholesalers and retailers and to the food service industry throughout the United States. Armour operates 15 livestock slaughtering plants, 66 meat processing and distribution facilities, 21 dairy, poultry and oil facilities and eight other facilities. During 1975 Armour ranked first in the sale of bacon and second in hot dogs.

Consumer Products and Pharmaceuticals: This group is comprised of Armour-Dial Company, Armour Pharmaceutical Company and Armour International, all divisions of Armour and Company. The group manufactures and markets a wide variety of personal care products, shelf-stable canned meats and household and handicraft products. It also manufactures and markets ethical pharmaceuticals and antacid and anti-perspirant ingredients. Its many nationally recognized consumer products include: *Dial* and *Tone* soaps, *Dial* anti-perspirants and shampoo, *Chiffon* liquid detergent, *Appian Way* pizza mix, *Parsons* ammonia, *Bruce* floor care products, *Magic* sizing and pre-wash, *Fruit-of-the-Loom* yarn and men's toiletries such as the *Manpower* line. Armour Pharmaceutical products include hormones, enzymes, human blood oriented products and other drugs. The group has ten plants in the U.S. and seven plants overseas.

Leasing: The subsidiaries in this group are engaged in domestic and foreign industrial finance leasing and computer equipment leasing. Greyhound Leasing & Financial Corporation is the lessor of thousands of separate industrial items, including jet aircraft, railroad cars and locomotives, ocean-going vessels, oil field equipment, machine tools and general manufacturing equipment. Greyhound Computer Corporation is lessor of a portfolio of computer equipment (primarily IBM System/360) with a current carrying amount of approximately $104,000,000. The computer company also operates data processing centers in five U.S. cities and in London, England, and provides other computer related services such as systems analysis, programming, software and personnel training.

Services: The subsidiaries in this group are engaged in providing a wide range of services for the consumer and business markets, including aircraft ground-handling services at airports, expert skilled technicians and clerical personnel to employers for temporary work, convention and exhibit services, audio-visual productions and equipment rental, customs brokering, freight forwarding and expediting, automobile rentals, money orders, duty-free shops, catalog gift operations, the manufacturing of plastic products and various support services on major governmental and industry construction projects.

Food Service: The food service subsidiaries of Greyhound operate Post House restaurants, newsstands and souvenir gift shops at approximately 105 locations serving Greyhound Lines' bus operations. Prophet Foods Co., operates approximately 300 food service facilities in exposition centers, schools, hospitals, industrial plants and other commercial establishments. It also has food vending machine operations in the U.S. and food service operations in Europe.

TRANSPORTATION

The safe, dependable, inexpensive and comfortable movement of people across the face of America is the foundation on which the Greyhound Transportation Group was built over 60 years ago. Over the years, new services and programs have provided added thrust to our growth, but our primary business remains the very basic and personal one of taking people where they want to go.

In 1975, the Greyhound Transportation Group concluded one of the best years in its history. Net income climbed 6.4 per cent to $40.2 million and all of our operations, from Greyhound Lines to our bus manufacturing operations, contributed to those impressive results.

These gains were made despite the continued slump in the national economy that led to a perceptible slackening in all modes of transportation, air and rail, as well as bus. Our regular route schedule service, though still solidly profitable, reflected the more cautious spending and traveling habits of consumers. This did not shake our confidence, however, in the future of highway transportation as the best available answer to the relentless pressure of burgeoning U.S. energy problems. In fact, 452 new Americruisers — more than one a day — joined our Greyhound fleet and the updating of our facilities continued as ten new terminals opened their doors and nine terminals debuted after major modernization and improvement.

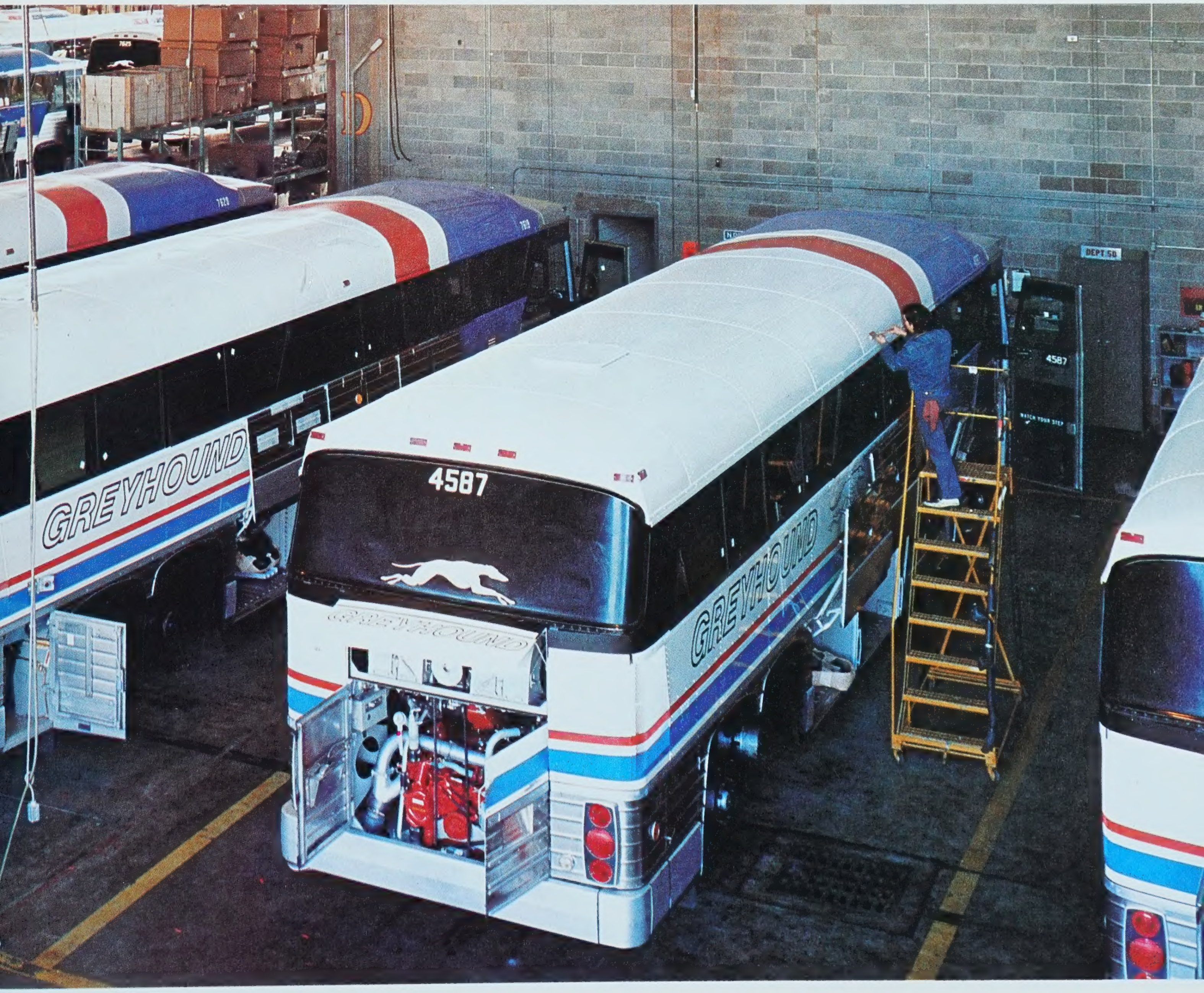
Our Greyhound bus manufacturing operations demonstrated the most strength in 1975, with an output of nearly 1,000 new buses delivered to U.S. and Canadian bus companies. These were produced at Greyhound's principal bus-building facilities, Motor Coach Industries of Winnipeg and our newest plant, Transportation Manufacturing Company which opened at Roswell, New Mexico in March of 1975.

Over 32,000 component parts, ten tons of steel, glass and electrical wiring come together in these plants to roll off our assembly lines as what we feel is the most modern, safe and comfortable bus in the history of transportation.

Our revenues from charter bus operations also reached a new high during the year, and keeping pace was the progress of Greyhound's guaranteed package express, the "Next Bus Out Service." Introduced at major shopping centers during the busy Christmas season was still another innovation in package shipping, "Shop 'n Ship." The ultimate in convenience, the new service allowed holiday shoppers to take their purchases from retail counters directly to on-site Greyhound shipping facilities.

More Americans than ever before turned to Greyhound's unlimited travel ticket, Ameripass, as their bus passport to seeing the nation during the Bicentennial celebration. A new version of the Ameripass is now available: a 15-day plan for $125.

It was a people-to-people program, however, that gave us our greatest sense of accomplishment in 1975. The Helping Hand Service, a Greyhound program which allows a companion to travel free with a handicapped person, met with unprecedented acclaim across the country. The Easter Seal Society and the Disabled American Veterans are just two of the outstanding organizations which publicly applauded Greyhound for its efforts to help *everyone* keep in touch with America!



Each day one new Greyhound Americruiser rolls off the Transportation Manufacturing Company assembly line at Roswell, New Mexico.

FOOD

At Armour Food, our business is feeding people. And the extent to which we are successful in this business depends on the continued confidence of the American consumer.

Better informed, more aware and questing, today's consumers rightly expect us to be responsive to their needs. An indication of how well we are meeting this challenge is the fact that in 1975, Armour Food reported the second most profitable year in its history. Earnings rose to $17.4 million from a depressed level of $9.4 million the prior year.

One element of this gain was Armour's beef operations which continued the upward trend of last year. Cattle came to market leaner, having spent less time on feed lots and having consumed less grain. These leaner animals represent more meat, less waste and better nutrition per food dollar for the consumer.

Turkey operations made similar gains in 1975. Armour's large-scale plants, which are closely allied to breeding farms for optimum production scheduling, helped make turkey one of the best buys on the American dinner table last year.

This abundance of turkey and beef was especially important in 1975 in offsetting shortages in other areas. In response to a short corn crop in 1974 for instance, hog numbers fell 17% during the year and the resultant reduc-

tion in pork supplies caused a steep climb in price. The availability of poultry and beef at affordable price levels gave the American housewife wide flexibility in meal planning.

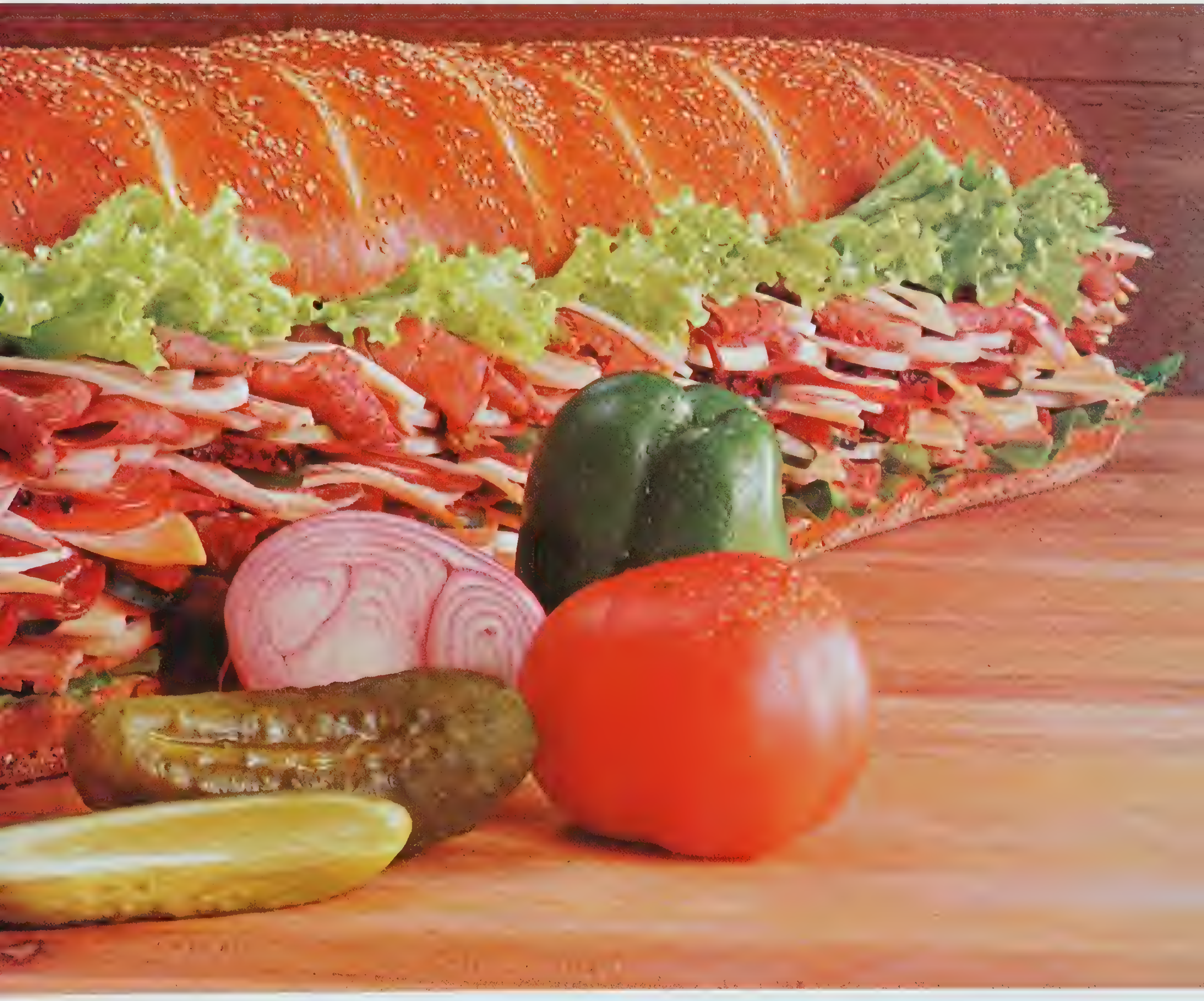
A number of other trends influenced Armour operations in 1975:

- Conditioned by inflation, consumers ate more ground beef and Armour responded by packing its ground beef in "keeper bags" for maximum freshness.
- Retail stores moved closer to the concept of "Bloc-Redi Beef," an Armour method of shipping trimmed, custom meat cuts, minus the bone and fat, rather than whole carcasses. When the retailer receives "Bloc-Redi Beef," it not only is in fresher condition, but is easier to cut into consumer-sized steaks and roasts.
- Small, scattered Armour facilities gave way to larger, more cost-efficient plants, and older, time-consuming meat processing methods bowed to improved technology.

In line with this, Armour opened a new broiler processing plant at Cold Spring, Minnesota, in October. Capable of processing over 7,000 chickens an hour, the facility is considered one of the most modern, cost-efficient plants of its kind in the world.

In addition, our Research Center in Scottsdale, Arizona, opened in late 1975. This facility, which we share with Armour-Dial, has a single purpose . . . the search for excellence. It is why the Armour name on meat has become an assurance of quality to today's consumer, and why Armour's diversified operations in processed meats, dairy products, food oils and food service have prospered and expanded.

In the food service area we are continuing to add to our product line for restaurant customers. A full line of seafood items and two new frozen egg products that eliminate breakage are helping restaurants achieve portion control, uniform food quality and consistently accurate profit margins.



Four-foot-long submarine sandwich is packed with more than 20 varieties of processed meats and cheeses manufactured and distributed nationally by Armour Food Company.

CONSUMER PRODUCTS & PHARMACEUTICALS

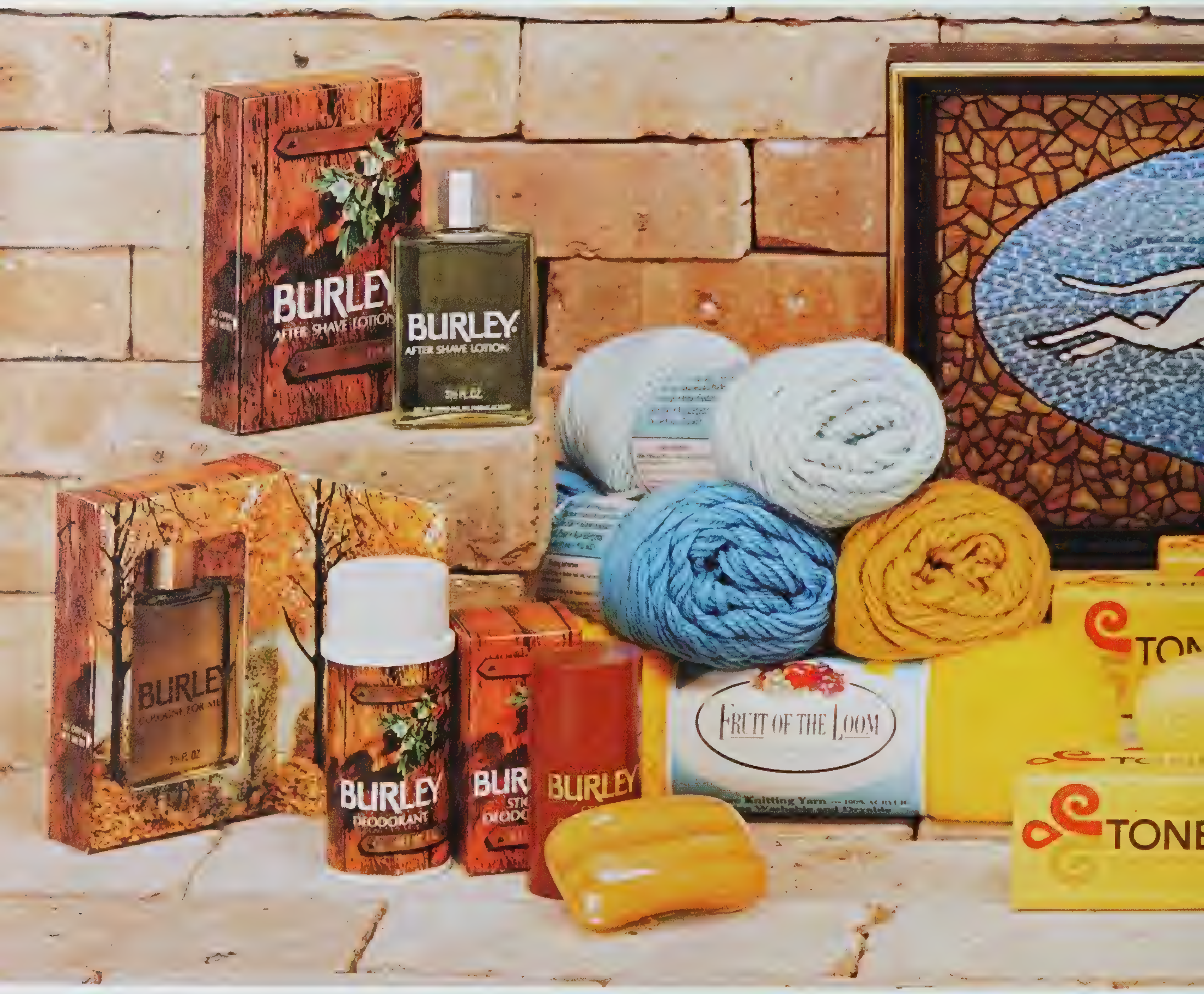
It was the year of the consumer at Armour-Dial Company. This is not surprising considering we provide not only quality foods for the nation's tables, but products that contribute to personal well-being . . . from grooming to health to housecleaning.

It was also a year of growth and accomplishment for the consumer products of Armour-Dial with earnings up a solid 9.4% over a year ago.

Keeping a finger on the pulse of the American consumer led to a number of innovations in 1975, and the introduction of several new products, among them Tone soap which met with outstandingly positive response. Though on the market less than a year, Tone already commands 5% of the very competitive and elusive toilet soap market.

Dial Very Dry Solid antiperspirant also made its appearance during the year in response to what appears to be a consumer drift away from aerosols. The solids are uniquely effective, and consumers now are newly alert to their economy as well.

Armour-Dial sales performance benefited in 1975 from several product acquisitions made the prior year. The Manpower line of men's toiletries has allowed us to share in the surge of interest among men in grooming aids that go beyond the basics. Similarly, the Malina line of yarns, needlepoint, rug and crewel kits has given us entry into the field of handicrafts which is enjoying an unprecedented renaissance among young homemakers.



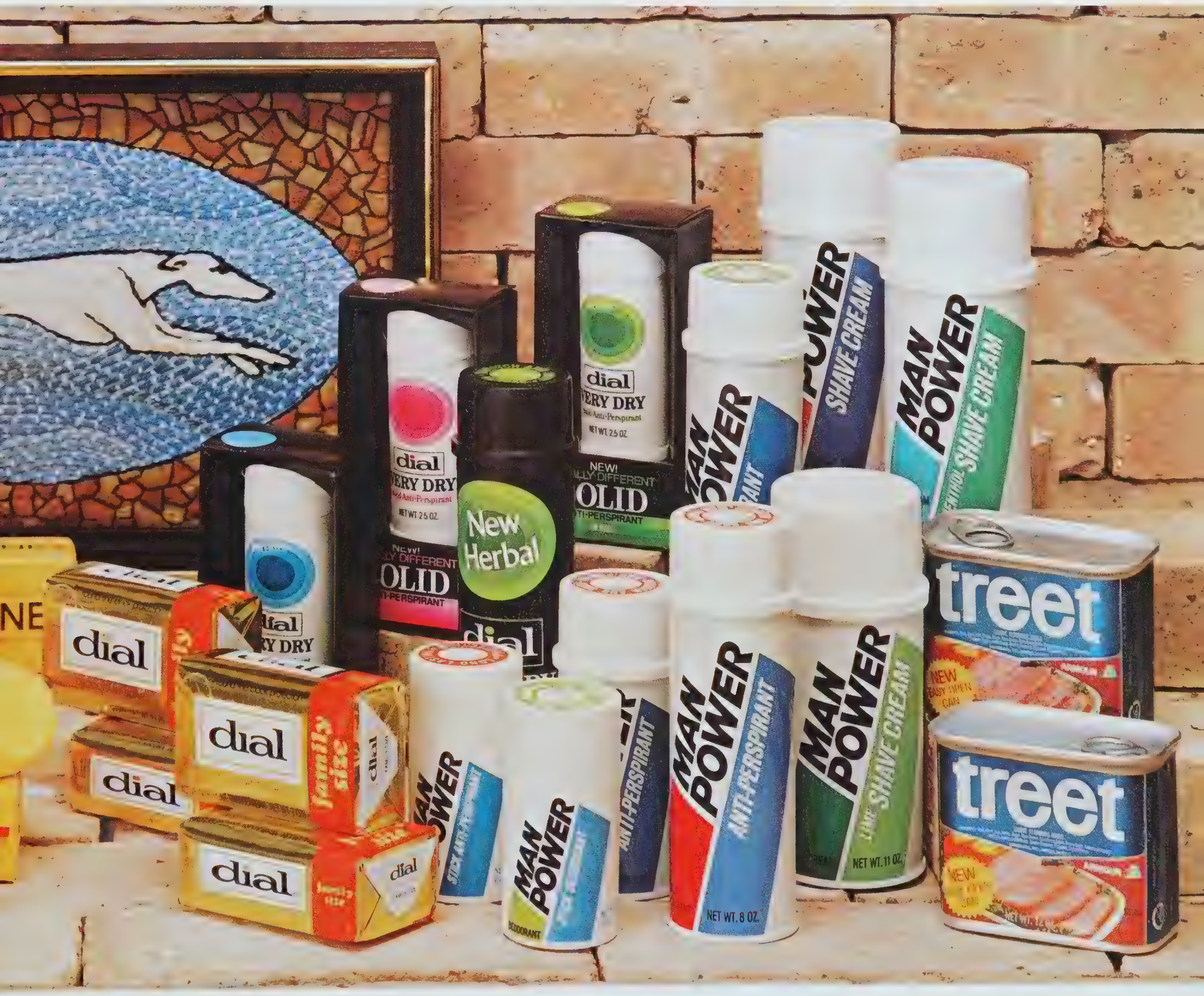
The Armour Star line of canned meats continued to be the industry leader in 1975. Our share in the luncheon meat, chili, hash, vienna sausage and potted meats markets grew to 31% during the year. Much of the credit for this lies with our research team which reinforces our leadership position in this highly competitive market. An example is the new formulation of our Treet luncheon meat. Based on an improved ham and brown sugar recipe and a new easy-open can, Treet dollar sales jumped over 20% during the year.

Armour Pharmaceutical Company results were hampered by stringent regulatory demands in 1975 and the widespread softness in the economy at large, with a consequent dip in profits from the prior year.

Despite this, important advances were made on product fronts including approval by the FDA to market Calcimar in this country. Calcimar, which resulted from ten years of research by Armour Pharmaceutical, is used in the treatment of Paget's Disease, a crippling disease of the bone. Until now it has been marketed only abroad. We also introduced Heprinar, an injectable anticoagulant in short supply in this country and a vital post-operative drug for the prevention of blood clots.

In mid-1975, our Reheis Chemical Company introduced a new generation of antiperspirant chemicals designed to help toiletries manufacturers meet stringent new government regulations for aerosol formulations. In addition, as one of only two domestic producers of insulin, we increased our sales of this life-sustaining drug by nearly 45% in 1975.

Armour International, the worldwide marketing arm of both Armour-Dial and Armour Pharmaceutical, established new subsidiaries in 1975 in Panama, Singapore, Venezuela and Japan. Our international sales jumped an impressive 19% over the prior year, indicating increased awareness and acceptance abroad of the Armour and Dial trademarks.



Greyhound logo stitched with colorful yarn from Malina forms backdrop for wide array of new products introduced by Armour-Dial during 1975.

LEASING FINANCIAL AND COMPUTERS

For more than two decades now, companies here and abroad have found leasing from the Greyhound Leasing & Financial Group a financially sound way to acquire costly equipment necessary for expansion and growth, and still conserve vital cash for the more immediate needs of day-to-day operations.

1975 was no exception. The past 12 months added up to the second best year ever for the Group with profits reaching $12.2 million, an 18% improvement over the $10.3 million achieved in 1974. In fact, excluding Greyhound Computer Corporation (GCC), which continues to suffer from IBM's dominance of the computer industry, GL&FC enjoyed record high earnings as U.S. European and Japanese operations all bettered their previous year's results.

The continued worldwide emphasis on producing more energy of all types led a number of companies engaged in this vital work to turn to GL&FC for help. Typical is the building of Western Polaris I. This huge $15 million oil drilling rig with telescoping legs that can support it in water as deep as 250 feet, was financed by GL&FC and now is

working in the Persian Gulf. Two more drilling rigs in Iran each carry over $6 million worth of platform equipment leased by the Group's European subsidiary. And here in the U.S., hundreds of hopper cars valued at more than $50 million were leased to major U.S. railroads as they tried to keep pace with the new popularity of coal as a dependable source of energy. Similar hopper car leases also were worked out with a large utility.

The Leasing Group's activity also received a substantial boost in 1975 from the increase from 7% to 10% in the investment tax credit. This proved an important incentive for the acquisition of new capital equipment. Noteworthy, too, was GL&FC's modest level of bad debt write-offs and delinquencies, counter to the experience of many other financial institutions.

While Greyhound Computer was less profitable in 1975 than in 1974, there were some encouraging signs by year-end that computer leasing operations are beginning to stabilize.

As the year progressed, the beneficial effects of recent acquisitions of computer leasing companies and a decline in short-term interest rates resulted in modest quarter-to-quarter increases in net income. Some stabilizing of System/360 computer equipment resale and rental prices also contributed to a brighter picture at year-end.

Development expenses connected with several new services were a factor in GCC's disappointing 1975 data services results. These services, which are gaining customer acceptance, include Direct Dial Data (DDD), a management reporting and accounting system for smaller businesses, featuring computerization by telephone; and an Integrated Communications Adapter (ICA) that provides Model 30 computers with a low-cost communications capability.

Riding at anchor in Tokyo harbor is one of the many large cargo ships owned and leased by Greyhound Leasing & Financial through its Far East subsidiary, Century Greyhound Leasing.

SERVICES

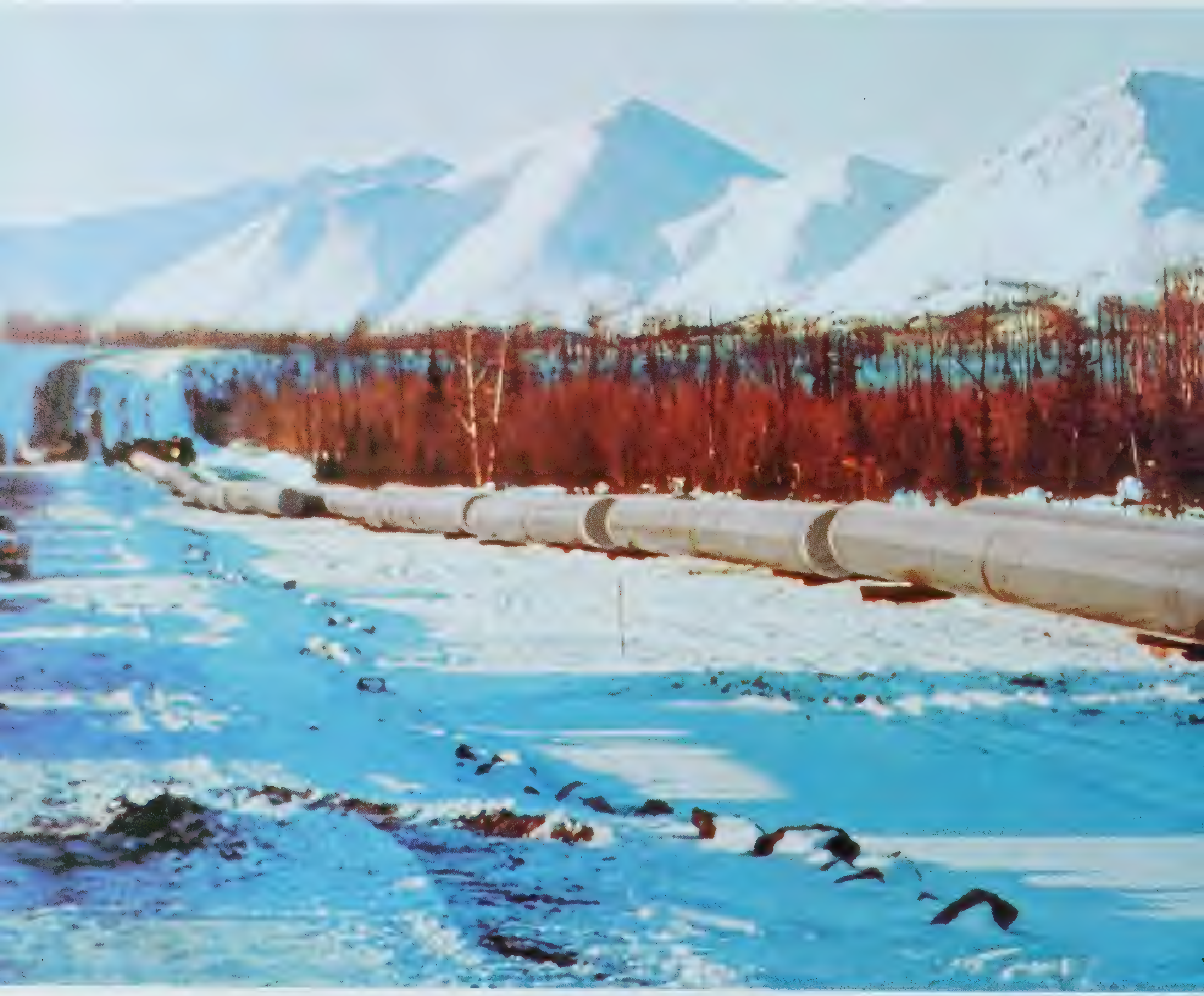
If there is a common denominator shared by the dozen enterprises that make up the Greyhound Services Group, it is the fact that everything they do, they do better than just about anybody else!

Specialists in aircraft ground handling, customs brokering, convention servicing and trade show exhibits, personnel services, logistical support for thousands . . . the Services Group is made up of lean, highly creative companies.

In 1975, their special skills resulted in earnings of $12.9 million on revenues of $176 million, an earnings gain of 18% over prior year performance.

Greyhound Support Services (GSSI), one of the newer entities in the Group, was formed in 1974 to coordinate the services of the more than 150 companies of The Greyhound Corporation to handle large scale commercial and government projects of all kinds anywhere in the free world. In 1975, it secured one of the biggest . . . a $50 million contract to provide catering and housekeeping services along a portion of the 796 miles of Alaskan pipeline. At 11 camps and pumping stations along the route, nearly 5,000 workers consumed in meat alone some two million pounds of Armour's best in 1975. GSSI is now bidding on similar large-scale support projects in South Africa and Saudi Arabia.

Greyhound Rent-A-Car also turned in a solid perform-



ance for 1975. The rental fleet has been expanded to 8,400 cars to accommodate the increasing number of customers who want still another way to "go Greyhound!"

A basic approach of all the Services Group companies is to take their expertise in hand, and then set out in search of new ways to apply it. This has the effect of substantially broadening their revenue base without extensive added capital expenditure.

Florida Export has done this very adroitly. Building on the base of its successful duty-free shops at airports and on cruise ships, Florida Export has now expanded into the wholesale business as well as the catalog gift area through its Greyhound Gift House Division, which made promising strides in 1975.

The companies which comprise Greyhound Exposition Services also did well in 1975 and expect even better results in 1976. As America's Bicentennial celebrations reach their peak, these companies . . . which specialize in convention and trade show services and audio-visual productions . . . are anticipating a busy year.

Border Brokers, Dispatch Services and Travelers Express reported record profits for the year and expect to continue their momentum in 1976.

Aircraft Service International Inc. (ASI) is involved in a particularly forward-looking program. ASI, which operates aircraft ground-handling for major U.S. airlines, has completed the installation of underground hydrant fueling systems at airports in Tampa, New Orleans and Memphis. The system involves laying a pipeline from a central fuel storage tank farm located, for the sake of safety, at a distance from the airstrip. These connect with a hydrant hook-up at each airplane ramp location for safe, rapid re-fueling. ASI, which owns the fuel pipelines, predicts similar systems at all major airports in the future.

Sections of pipe lay ready for use on the 796-mile Alaska pipeline project. Greyhound Support Services provides food catering and housekeeping for more than 5,000 pipeline workers.

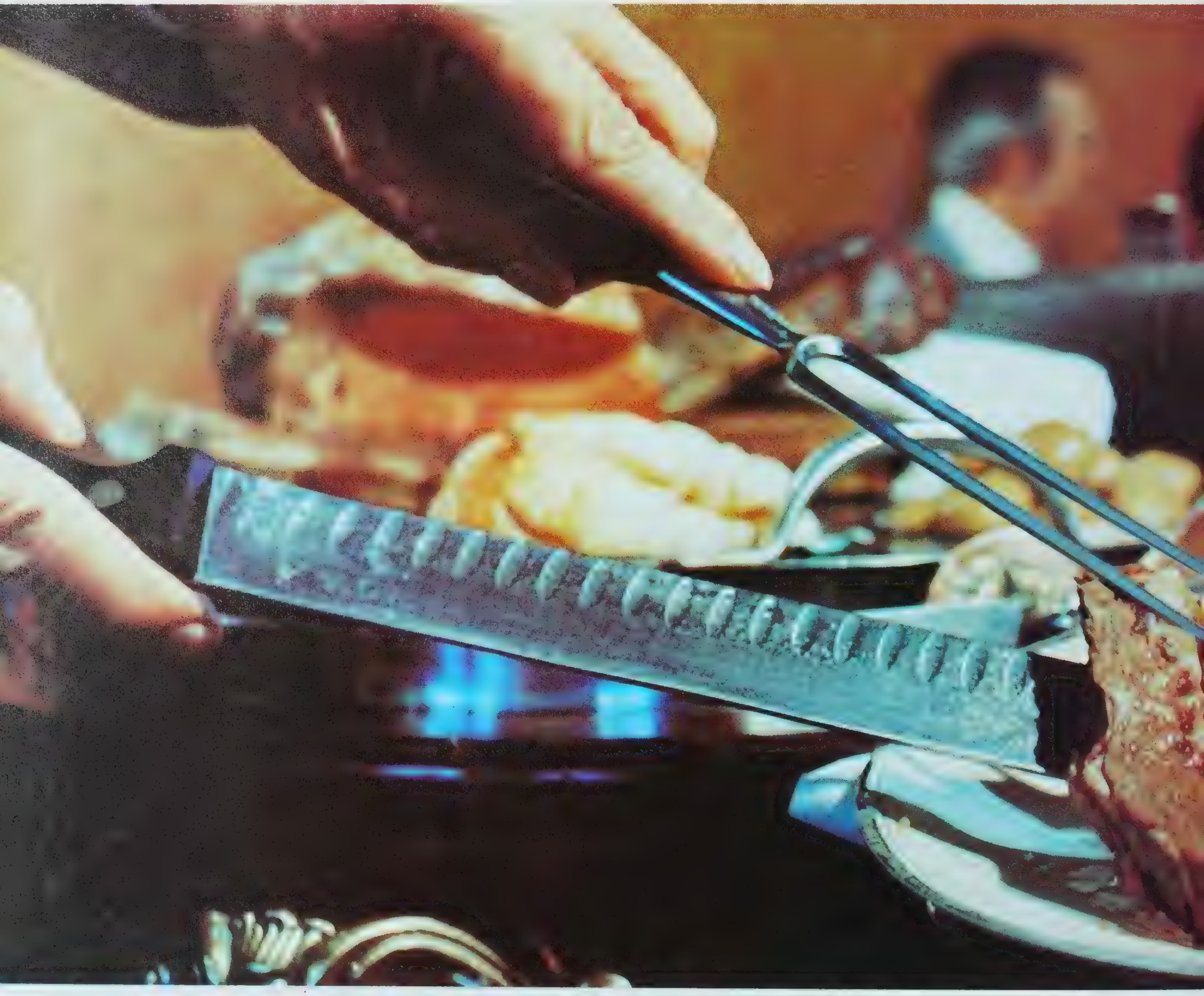
FOOD SERVICE

One million meals! A staggering number to be sure, but even more impressive when you learn that this is the number of meals Greyhound's food service companies prepare and serve *in a single day*.

Yet, in spite of this level of activity, and resulting profits, the companies in the food service group found 1975 to be a difficult year. It was a year of adjustment during which the Group sought primarily to recover from the consequences of drastic cutbacks by the major auto makers where historically much of its Prophet Foods operations have been concentrated.

The Group also found itself in the unenviable position of having to compare the nearly normal level of activity in 1975 at its bus-terminal Post Houses to the record, but abnormal, gains of 1974 when bus travel was at its peak during the gasoline shortage.

Revenues for the Group were down 5.5% in 1975 to \$119.7 million, with earnings at the \$1.5 million level compared to \$2.2 million in 1974. In 1975, Faber Enterprises, which principally operates food service facilities in Chicago, was acquired in a pooling of interests. Faber will continue to function independently, and after reflecting the combina-



tion for reporting purposes, Food Service 1975 earnings were increased to $2.5 million and revenues to $138.9 million.

Toward the end of the year, however, an encouraging upswing in auto production that has continued into the new year, produced a brighter outlook for this segment of the Prophet Foods operations for 1976.

Of greater long-term importance perhaps, is a diversification program Prophet began during the year to develop a broader mix of business that would minimize its dependence on large industrial accounts like the automobile industry. A major marketing effort directed toward banks, schools, office buildings, hospitals and recreation facilities, succeeded in opening 19 new locations in 1975, and is continuing in 1976.

Seeking to provide its customers with a higher, more uniform level of food service at its 105 locations, Post Houses implemented an all-encompassing standardization program that is expected to result in improved food quality and operating controls in the months ahead.

Also, a successful prototype of a unique new food service concept, Post House Pantry and General Store, was opened at the Salinas, California, terminal during the latter part of the year. Offering freshly prepared, pre-packaged hot and cold food items in a self-service supermarket style, this unit is being monitored closely for possible expansion to other small volume operations throughout the country.

Other efforts by Post Houses to generate increased sales volume and promote goodwill involved capitalizing on nationwide promotional efforts by Greyhound Lines. An Ameripass Meal Deal offers Greyhound Ameripass ticket holders substantially reduced meal prices, and the "Drink-Up America" thermos bottle program, introduced in 1974, enjoyed great success in 1975 with nearly 50,000 being sold. Both programs are continuing in 1976.

Superb food served with a European flair is hallmark of executive dining room operated by Greyhound Food Management for The Arizona Bank in Phoenix.

KEY SUBSIDIARIES

TRANSPORTATION

Greyhound Lines
world's largest intercity passenger carrier, serving all 48 continental states, to Mexico and Canada

Greyhound Lines of Canada
tour and intercity bus service throughout Canada and to Alaska

Korea Greyhound Ltd.
intercity bus service in South Korea

Texas, New Mexico & Oklahoma Coaches
tours to Carlsbad Caverns and intercity bus service linking key Southwestern cities

Vermont Transit
intercity bus service between cities in Maine, Massachusetts, New Hampshire, New York and Vermont

Airport Transportation and Leisure Travel

American Sightseeing Tours
charter bus service and bus transportation to race tracks in and around Miami Beach; sightseeing in the Miami area and throughout Florida

Atlanta Airport Transportation
transportation between Atlanta Airport and various designated points in Georgia, including Atlanta

Brewster Transportation Company
sightseeing, all-expense tours, hotels and service stations in the Canadian Rockies at Banff, Lake Louise and Jasper

California Parlor Car Tours Company
deluxe, escorted motor coach tours of scenic and historic California

Carey Transportation
airport ground transportation between Manhattan and New York-area airports

Gray Line of New York
sightseeing tours in the New York area

Gray Line of San Francisco
sightseeing tours in the San Francisco area

Greyhound Airport Service
ground transportation between Washington, D.C. and Washington National Airport and Dulles International Airport

Greyhound World Tours
pre-planned independent and escorted tours

Loyal Travel Service
multiple office full-line travel agency service

Red Top Sedan Service
exclusive limousine service at Miami International Airport for Dade and Broward counties in Florida

Royal Hawaiian Tours
tours, airport transfer service, taxis at several important hotels in Hawaii

Manufacturing

Motor Coach Industries
bus manufacturing in Winnipeg, Canada and Pembina, N.D.

Transportation Manufacturing Corporation
bus manufacturing in Roswell, New Mexico

Universal Coach Parts
computer-controlled inventory of repair and replacement parts for intercity and transit buses of all domestic and foreign makes

FOOD

Armour and Company
manufactures and distributes, through Armour Food Company, a broad range of fresh, processed and portion-control meats, poultry and other food products for consumer and institutional use

FOOD SERVICE

Greyhound Food Management
centralized management and services coordinator of Greyhound's food service operations

Post Houses
restaurants coast to coast, primarily in bus terminals; also candy, gifts and souvenirs

Prophet Foods Company
food service management organization serving industry, banks and other commercial establishments, colleges, schools, hospitals and nursing homes; route vending in selected cities

Restaura
restaurant design and engineering and food service management throughout Belgium

FINANCIAL

Greyhound Computer Corporation
computer leasing and services, including facilities management, data processing service centers and software services in the United States, the United Kingdom, Canada, Mexico and Europe

Greyhound Leasing & Financial Corporation
worldwide industrial equipment leasing

CONSUMER PRODUCTS AND PHARMACEUTICALS

Armour-Dial
manufactures and markets a wide variety of grocery, personal care and household products for the consumer

Armour International
manufactures and/or markets the consumer products of Armour-Dial and the pharmaceuticals and chemicals of Armour Pharmaceutical in more than 100 countries

Armour Pharmaceutical
manufactures and markets ethical pharmaceuticals and diagnostics and chemicals in both foreign and domestic trade

Malina Company
manufactures and markets wide variety of yarns for handknitting and hobbycraft use under Malina name and "Fruit of the Loom" trademark (under license). Also produces spun synthetic yarns for major sweater and sportswear manufacturers

SERVICES

Aircraft Service International
ground-handling services such as into-plane fueling for major domestic and foreign airlines, plus non-airline maintenance and janitorial services throughout the United States and in Puerto Rico, Barbados and Santo Domingo. Similar services are provided in the Bahamas by *Nassau Air Dispatch*

Border Brokers
Canada's first and largest customs broker and international freight-forwarder

Consultant & Designers
technical services, temporary office and blue collar help and marketing display and exhibit design and construction services to industry and government

Dispatch Services
ground-handling and other services to airlines at Miami International Airport. Similar services provided at Freeport in the Bahamas by *Freeport Flight Services, Ltd.*

Florida Export Group
duty-free retail shops at Miami International Airport, a wholesale duty-free business for export, duty-free shops and services on cruise ships operating out of Miami. Also catalog sales of quality gift items

Greyhound Exposition Services
complete convention and exhibitors services provided by *Las Vegas Convention Service,* Las Vegas, Nevada; *Manncraft Exhibitors Service,* Kansas City, Missouri and Miami, Florida, and *Wernecke Studios,* Chicago, Illinois. Also includes an audio-visual company, *Global Productions,* with facilities for creating and producing multi-media shows, stage productions, TV commercials, motion pictures and film documentaries

Greyhound Rent-a-Car
car leasing with unlimited free mileage on a daily, weekly or monthly basis in major Florida cities and at Atlanta, New Orleans and Phoenix

Greyhound Support Services
coordinates the many areas of Greyhound activity into a consolidated effort in securing broad scale service contracts with industry and government agencies throughout the world

Travelers Express Company
nation's second-largest money order firm

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Chairman, The El Paso Company, operator of oil and gas pipelines

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Partner in the law firm of McCutchen, Doyle, Brown & Enerson

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Chairman, Armour and Company &
Executive Vice President — Armour, The Greyhound Corporation

DAVID L. DUENSING *Phoenix, Arizona*
President, Armour and Company &
Group Vice President — Armour-Dial, The Greyhound Corporation

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Chairman, C. E. Heath & Co., Limited, an international insurance broker and managing agent for an underwriting syndicate of Lloyd's of London

JOHN H. JOHNSON *Chicago, Illinois*
President, Johnson Publishing Company, Inc., and
Chairman, Supreme Life Insurance Company

JAMES L. KERRIGAN *Phoenix, Arizona*
President, Greyhound Lines, Inc., and Executive Vice President — Transportation & Bus Manufacturing, The Greyhound Corporation

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Chairman, Hercules Incorporated, manufacturer of
chemical products and related industrial systems

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President, The Greyhound Corporation

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President, Life Insurance Company of Georgia

HAROLD C. STUART *Tulsa, Oklahoma*
Partner in the law firm of Doerner, Stuart, Saunders,
Daniel & Langenkamp

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Chairman, Walt Disney Productions

GERALD H. TRAUTMAN* *Phoenix, Arizona*
Chairman & Chief Executive Officer, The Greyhound Corporation

JAMES W. WALKER* *New York, New York*
Investment Management

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CLIFTON B. COX
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JAMES L. KERRIGAN
Executive Vice President — Transportation & Bus Manufacturing

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Group Vice President — Leasing

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Group Vice President — Armour-Dial

JOHN W. TEETS
Group Vice President — Food Service

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Vice President — Systems & Services

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Vice President — Europe

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Assistant General Counsel

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Assistant General Counsel

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Senior Assistant General Counsel

JOHN T. NYGREN
Assistant General Counsel

FREDERICK G. EMERSON
Assistant Secretary

RALPH J. WEHLING
Assistant Secretary

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Assistant Treasurer

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Assistant Comptroller

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Phoenix, Arizona

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President & Chief Operating Officer

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JOHN W. KEAYS
Executive Vice President — Pharmaceutical

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Vice President and Operating Controller

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Vice President, Secretary & General Counsel

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Treasurer

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Chicago, Illinois

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Vice President, Secretary & Controller

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Chicago, Illinois

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Vice President

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Vice President — Traffic

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Vice President

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Vice President — International Service Division

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Regional Vice President

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Calgary, Alberta, Canada

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Vice President

HERBERT B. deWYNTER
Vice President — Transportation & Labour Relations

FLOYD L. MOGEN
Vice President — Marketing & Traffic

Greyhound de Mexico, S.A. de C.V.
Mexico City, Mexico
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President
OSWALDO J. PONCE
Vice President
JORGE GUERRERO
General Manager

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Seoul, Korea
KUKWHAN SUL
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JOHN M. FLANAGAN
Executive Vice President
RUDY BURICK
Vice President — Maintenance
KYUNG-WHAN KIM
Vice President — Operations
JIN-KU RHEE
Vice President — Administration

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Winnipeg, Manitoba, Canada
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GEORGE E. MASON
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Vice President — Sales & Service
WERNER MARTIN
Vice President — Production
RONALD S. MATTHEWS
Vice President — Comptroller & Assistant Secretary
FRANK M. MARTIN
Assistant Comptroller & Assistant Secretary

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PAT L. FUQUA
Comptroller & Secretary

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Chairman
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President
RONNIE E. HARSTON
Secretary & Comptroller

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EDWARD J. WICKENDEN
Vice President — Manufacturing

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Miami, Florida
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NORTON M. SEGAL
President
JEROME H. NUDELMAN
Executive Vice President
JACK H. COHEN
Vice President
LOUIS CICERONE
Comptroller & Assistant Secretary

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NORTON M. SEGAL
President
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Vice President & General Manager
JACK H. COHEN
Vice President

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Chairman
JOHN H. HAYES
President & General Manager
DAVID G. MORRISON
Comptroller

California Parlor Car Tours Company
San Francisco, California
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President
THEODORE H. MAY
Executive Vice President

Carey Transportation
New York, New York
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President
WILLIAM A. SANDERS
Executive Vice President
JEROME FISHER
Comptroller & Assistant Secretary

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GEORGE E. MASON
Vice President
RONALD S. MATTHEWS
Vice President — Comptroller & Assistant Secretary
FRANK M. MARTIN
Assistant Comptroller & Assistant Secretary

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Vice President — National Sales
RAMON C. FERNANDEZ
Vice President — Comptroller
LYNNE GORDON
Vice President — Convention and Corporate Sales

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President
MICHAEL SILBERFEIN
Executive Vice President

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President
JOHN F. DONOHUE
Vice President & General Manager

Greyhound Royal Hawaiian Transportation Co., Ltd.
(Trade Wind Transportation Co., Ltd.)
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President

Greyhound World Tours, Inc.
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President
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HELMER T. ANDERSON
Comptroller

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President
V. K. STEPHENS
Vice President

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Winnipeg, Manitoba, Canada
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President
RALPH C. BATASTINI
Vice President
GEORGE E. MASON
Vice President
RONALD S. MATTHEWS
Vice President — Comptroller

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NORTON M. SEGAL
President
JEROME H. NUDELMAN
Executive Vice President
JACK H. COHEN
Vice President
LOUIS CICERONE
Comptroller & Assistant Secretary

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Northlake, Illinois
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President
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Vice President — General Manager
PATRICK SWOPE
Comptroller & Assistant Secretary

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Burlington, Vermont

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CHARLES E. IRISH
President

JOHN J. DWYER
Vice President
& Assistant Secretary

ROGER F. McCORMICK
Comptroller & Assistant Secretary

Walters Transit Corporation
New York, New York

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President

KENNETH ENGELHARDT
Vice President

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Phoenix, Arizona

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Vice President — Research

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Vice President & Controller

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Vice President
Transportation & Distribution

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Vice President — Industrial Relations

JAKE STAHL
Vice President — Labor Relations

Food Marketing Division

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Executive Vice President — Field Units

JAMES A. deTARR
Executive Vice President — Marketing

HOWARD W. EASTWOOD, JR.
Vice President — Southern Area Field Units

WILLIAM T. HOGAN
Vice President — Western Area

JAMES I. HUNTER
Vice President — Decker Area

GORHAM W. HUSSEY
Vice President — Eastern Area

KENNETH J. MALECKY
Vice President — Operations

EDWARD C. NORBUT
Vice President — Midwest Area

RODNEY E. STEPHENS
Vice President — Southern Area

ROBERT W. ALSTRIN
Vice President — Food Service Marketing

THOMAS J. FLEMING
Vice President — Fresh Meats Marketing

CARL E. GYLFE
Vice President
Branded Products Marketing

FRANK X. TOBIN
Vice President
National Account Sales

Fresh Meats Division

WALLACE L. TUNNELL
Vice President and Manager
Fresh Meats Division

BILLY B. KEMP
Vice President — Pork Division

Dairy, Poultry & Oils Division

HUGH L. MOORE
Vice President — Manager,
Dairy, Poultry & Oils Division

DONALD E. WHARTON
Vice President — Manager, Turkey Division

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Assistant Secretary
& Assistant Treasurer

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Vice President & General Counsel

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Vice President — Special Markets

PAUL A. WEBER
Vice President — Human Resources
& Industrial Relations

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Vice President — General Manager
Western Division

RICHARD E. MARKUSON
Vice President — General Manager
Central Division

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Phoenix, Arizona

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Vice President — Sales
Central Division

MARGUERITE A. HOWLEY
Vice President — General Manager
Western Division

ROBERT S. NAGLE
Vice President — General Manager
Michigan Division

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Vice President — General Manager
Central Division

JESS D. WATSON
Vice President — Sales
Western Division

Restaura S.A.
Brussels, Belgium

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President & Managing Director

A. J. BEANE
Director of Marketing

MICHEL CHAPEAUX
Director of Technical Services

EMILE LE RYCKE
Director of Operations

PIERRE PLASMAN
Administration & Financial Director

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Greyhound Leasing & Financial Corporation, Phoenix, Arizona

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Executive Vice President — Marketing

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& Comptroller

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Senior Vice President

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Vice President & Assistant Secretary

JAMES T. FOLEY
Vice President & Secretary

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Vice President — International Operations

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Vice President — Latin American Operations

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Secretary

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Treasurer

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Vice President — Marketing

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Comptroller & Assistant Secretary

RUPERT F. RIGHTON
Secretary

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SAUL G. MARIAS
Manager

Century Greyhound Leasing & Financial Corporation, Tokyo, Japan
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Managing Director

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Vice President & Comptroller
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Vice President & Secretary
ROBERT C. KIBLER
Vice President & Treasurer

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President & Chief Executive Officer

Greyhound Computer Services Limited & The Management Dynamics Group
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Managing Director

Bresnahan Computer Corporation
Phoenix, Arizona
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President

Computadoras Industriales, S.A. de C.V.
Mexico City, Mexico
ANDRES CONTRERAS
General Manager

Computer Leasing Company
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President

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Rosemont, Illinois
EUGENE A. BEDNARSKI
President

EDP Resources, Inc.
Phoenix, Arizona
OLIE E. SWANKY
President

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Austin, Texas
WILLIAM J. BRESNAHAN
President

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BERNARD F. CARPENTER
Vice President — Transportation & Distribution
H. JESS CHADWELL
Vice President — Operations
DAVID A. DAVIES
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PHILIP J. DION
Vice President — Controller
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Vice President — Operations Planning
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Vice President — Research & Development
FREDERICK B. RENTSCHLER
Vice President — Business Development
WILLIAM H. WINDHAM
Vice President — Sales

Armour Pharmaceutical Company
Phoenix, Arizona
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HAROLD C. JOHNSON
Executive Vice President — Operations
FRANK S. LAKEY
Executive Vice President — Marketing
FRANK E. STEHLIK
Executive Vice President — Administration & Controller
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Vice President — Research & Development, Pharmaceutical
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Vice President — Personnel & Industrial Relations
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Vice President — Medical Affairs
ANDREW M. RUBINO
Vice President — Research & Development, Chemical
JAMES L. SMART
Vice President — Business Planning

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Phoenix, Arizona
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HERBERT J. COOPER, JR.
Vice President, Administration, Far East & South America
LIONEL A. DORSAY
Vice President, Administration, Europe & Africa
HUGH D. HENNESSY
Controller

Burn Treatment Skin Bank
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President
FRANK W. REICHENBACHER
Vice President
THEODORE C. KRAVER
Vice President & Assistant Secretary

Malina Company Inc.
New York, New York
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BEN CHARNAS
Executive Vice President
FRED H. DIAMOND
Executive Vice President
PHIL FRISCH
Vice President
VICTOR LEVINSON
Vice President & Assistant Secretary
RICHARD MALINA
Vice President & Assistant Secretary
CHARLES K. SEID, JR.
Vice President
NATHAN VAIMAN
Vice President
RICHARD J. ELLMAN
Controller

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LLOYD M. STAUFFER, JR.
Vice President
J. RUDGE LONES
Vice President — Planning
PAUL H. WYMAN
Treasurer
SAMUEL E. CHILDS
Regional Vice President
E. GARRY LESLIE
Regional Vice President
RICHARD A. SEAMAN
Regional Vice President
HAROLD W. WOODMAN
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HENRY PAREDES
President — International Air Service of Puerto Rico, Inc.

Border Brokers Limited
Toronto, Ontario, Canada
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Chairman
STEPHEN Y. HORSLEY
President & General Manager
JOHN KEMP
Executive Vice President
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Vice President — Operations
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Vice President — Customs Consulting
RONALD M. WOOD
Vice President — Marketing
HERBERT C. ANDERSON
Vice President — Western Division
KENNETH W. BANKS
Vice President — Customs Consulting Western Division
CHARLES T. CONNORS
Vice President — Customs Consulting Central Division
SVEND O. JENSEN
Vice President — Central Division
DENNIS R. KING
Vice President — Eastern Division
RONALD A. ROGERS
Secretary-Treasurer

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New York, New York

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Chairman & President

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Group Vice President, Consultants & Designers Technical Services Division

HARRIS I. COHEN
Group Vice President, Greyhound Temporary Personnel Division

LEO S. McDONALD
Group Vice President, Greyhound Exhibitgroup Division

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Group Vice President, Europe Managing Director, Consultants & Designers (U.K.), Ltd., & Consultants & Designers (Belgium) S.A.-N.V.

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Vice President & Comptroller

DAVID M. MARKOWITZ
Vice President, General Counsel & Assistant Secretary

MAX S. ZARETSKY
Vice President — Contract Administration & Assistant Secretary

Consultants & Designers (Technical Services) Inc.

EDWARD J. BILOTTI
President

FLOYD CANTLON, JR.
Vice President — South Central Division

SHERMAN DAVIDOWITZ
Vice President — Northern Division

EDWARD T. DOBBYN, JR.
Vice President — Western Division

RAYMOND J. SLINGERMAN, JR.
Vice President — Southern Division

HARRY R. WILDING
Vice President & General Manager Canadian Design Service (1973) Co., Ltd.

Greyhound Exhibitgroup Inc.

LEO S. McDONALD, JR.
President

GERALD S. HOWARD
President — Exhibitgroup, Chicago

CHARLES V. LaROCCO
President — Exhibitgroup, Los Angeles and Exhibitgroup, San Francisco

LESLIE E. LEWIS
President — Exhibitgroup, New York

Greyhound Temporary Personnel, Inc.
Greyhound Permanent Personnel, Inc.

HARRIS I. COHEN
President

HERBERT S. McDONALD
Executive Vice President

MARY JO BALDWIN
Vice President

CATHERINE A. BENZIN
Vice President

EDITH R. DOMROE
Vice President

FRANCINE M. HAUXWELL
Vice President

Cadillac Display Corporation

JOSEPH A. RUSSO
President

ANDELFO RUSSO
Executive Vice President

SAMUEL R. PATENT
Vice President

Dispatch Services Group
Miami, Florida

THOMAS R. GREEN
Chairman & Chief Executive Officer

ROBERT H. HUBSCH
President

WESLEY R. VEDO
Vice President

DANILO J. PERTUZ
Vice President — Comptroller

RALPH C. MILLER
President, Aircraft Service, Inc.

CHRIS RADEMAKER
Vice President & General Manager Freeport Flight Services Limited

ALLAN W. SCHWARTZ
Vice President & General Manager Florida Aviation Fueling Co., Inc.

Florida Export Group
Miami, Florida

A. EDWARD MERHIGE
President

MICHEL NASR
Vice President

MICHAEL G. MERHIGE
Vice President — Administration & Assistant Secretary

Greyhound Rent-a-Car, Inc.
Miami, Florida

WILLIAM W. SEGAL
Chairman & President

STANLEY L. SEGAL
Executive Vice President

MARTIN SAMSON
Senior Vice President

ALBERT A. CAREY
Vice President & Controller

JACK H. COHEN
Vice President

MEL L. EDER
Vice President — Operations

JOHN S. McKENNA
Vice President & Assistant Secretary

NORMAN I. SEGAL
Vice President — Law & Insurance

NORTON M. SEGAL
Vice President

Greyhound Support Services, Inc.
Phoenix, Arizona

ROBERT J. BERNARD
President

EDWARD H. WILLIAMS
Executive Vice President

CHARLES E. ZIMMERMAN
Vice President

JOHN J. KEANE
Vice President

WAYNE A. WIGHT
Vice President

ROGER L. CLAIBORNE
Comptroller

Las Vegas Convention Service
(Greyhound Exposition Services)
Las Vegas, Nevada

DAVID I. JAMISON
President

JOHN R. JAMISON
Executive Vice President

JAMES W. JAMISON
Vice President

BETTY J. NEIGHBORS
Vice President & Assistant Secretary

HOWARD R. NESS
Vice President

WILLIS B. JONES, JR.
Vice President — Young & Rue Moving & Storage Division

GEORGE S. LUBIN
Vice President & General Manager Boardwalk Film Enterprises, Inc. and United Audio-Visual Corp.

JAMES M. McENTIRE
Vice President — Marketing

NORTON D. RITTMASTER
Vice President, General Manager — Los Angeles

DON A. STACY
Vice President — Transportation

EARL STOKES
President — Vegas Van Lines

Manncraft Exhibitors Service
(Greyhound Exposition Services)
Kansas City, Missouri

CHARLES J. MANNE
Chairman

LEON A. MANNE
President

JAMES M. MARTIN
Executive Vice President & Chief Operating Officer

MARK C. DUFFY
Vice President — Production

JAMES H. MAYES
Vice President — Controller

Wernecke Studios, Inc.
(Greyhound Exposition Services)
Chicago, Illinois

WILLIAM A. MUELLER
President

JAMES P. HOWE
Executive Vice President

HOWARD BAILEY
Vice President

ROBERT LOZIER
Vice President

Press Plastic, Inc.
Hollywood, Florida

STANLEY L. SEGAL
Chairman & Chief Executive Officer

JACK A. PRESS
President & Chief Operating Officer

JAMES WENTZEL
Executive Vice President

KENNETH R. HALLENBORG
Controller

Travelers Express Company, Inc.
Minneapolis, Minnesota

ARTHUR S. MOORE
President

CLARENCE A. E. ANDERSON, JR.
Vice President — Eastern Division

JOHN S. CABOT
Vice President — Marketing

WILLIAM G. ENNIS
Vice President — Western Division

CHARLES L. HICKEY
Vice President — Security

WILLIAM S. HOWARD
Vice President — National Operations

DALE W. JOHNSON
Vice President & Comptroller

WALLACE H. MERTENSOTTO
Vice President — National Data Processing

DAVID D. SULLIVAN
Vice President, Assistant Secretary & Assistant Treasurer

1975 FINANCIAL INFORMATION

Summary of Operations (000 omitted)

	1975	1974	1973	1972	1971
Sales and Revenues	$3,748,224	$3,469,281	$3,421,447	$2,953,217	$2,742,386
Costs and Expenses:					
Operating costs	3,606,993	3,335,153	3,273,603	2,831,995	2,608,868
Interest	32,424	32,235	24,414	20,144	24,418
Income taxes	45,216	47,780	58,322	46,252	50,328
Minority interests	2,699	2,679	2,739	3,699	6,048
	3,687,332	3,417,847	3,359,078	2,902,090	2,689,662
Income of Continuing Operations of Greyhound and Consolidated Subsidiaries	60,892	51,434	62,369	51,127	52,724
Equity in Net Income of Unconsolidated Subsidiaries and Affiliated Companies	20,328	16,732	17,411	19,019	14,863
Income of Continuing Operations before Extraordinary Loss	81,220	68,166	79,780	70,146	67,587
Discontinued Operations		(10,211)	(3,372)	(42)	2,955
Extraordinary Loss				(3,256)	
Net Income	$ 81,220	$ 57,955	$ 76,408	$ 66,848	$ 70,542
Income Per Share:					
Common and equivalents:					
Continuing operations	$1.87	$1.62	$1.89	$1.67	$1.68
Net income	1.87	1.37	1.81	1.59[1]	1.76
Assuming full dilution:					
Continuing operations	1.76	1.52	1.77	1.57	1.57
Net income	1.76	1.30	1.70	1.50[1]	1.63
Dividends Paid Per Common Share	$1.04	$1.09	$1.04	$1.02	$1.00
Average Outstanding Shares (000 omitted):					
Common and equivalents	43,440	42,190	42,120	41,901	40,136
Assuming full dilution	47,770	46,525	46,463	46,272	45,034

Financial Position (000 omitted)

	1975	1974	1973	1972	1971
Current Ratio	1.78:1	1.75:1	1.47:1	1.79:1	1.61:1
Working Capital	$ 220,753	$ 211,090	$ 154,080	$ 191,232	$ 151,232
Total Assets	1,427,964	1,357,328	1,309,159	1,237,039	1,194,479
Long-term Debt	373,678	355,982	278,548	300,798	309,678
Other Liabilities, Deferred Items and Minority Interests	155,683	148,626	141,662	165,042	182,573
Stockholders' Equity	614,969	571,822	559,785	529,186	456,293

People

	1975	1974	1973	1972	1971
Number of Stockholders	163,442	166,287	166,831	164,487	160,230
Number of Employees (average)	53,438	54,482	54,538	55,866	61,650

[1] *Includes per share extraordinary loss of $.08 for common and equivalents and $.07 for full dilution.*

Management's Discussion and Analysis of Summary of Operations

The following is a discussion of certain changes in the Company's revenues, expenses and income for the years 1973, 1974 and 1975 set forth in the preceding Summary of Operations and, on the following page, the Summary of Principal Business Activities.

Greyhound is a diversified company which sells products and supplies services for many markets. Because of this diversity, components of its net income are generally affected, some favorably, others unfavorably, by fluctuations which occur in the various markets each year.

1975 Compared to 1974

Sales and revenues increased in 1975 principally because of higher selling prices for food products generally reflecting increases in raw material and other production costs. Acquisitions of companies, internal development of new products and services, and expansion of bus manufacturing operations also contributed to the greater revenues.

Net income for 1975 increased over 1974 principally because of the discontinuance at the end of 1974 of the business of feeding cattle for sale in the public market. No losses resulted from cattle feeding operations in 1975 as compared to losses of $10.2 million in 1974. In addition, a turnaround in growing and marketing turkeys resulted in improvement of approximately $7.5 million. Other factors influencing the increased 1975 net income by Greyhound's principal business groups are as follows:

Transportation group net income increased because more buses were sold by its bus manufacturing facility, above average gains were realized on sale of replaced terminal and garage properties, and federal income taxes were reduced due to larger investment tax credits. A decline in the numbers of passengers carried by domestic bus operations caused a partial offset of these increases.

In the Food group, an improvement in fresh meat operations is attributed to a satisfactory supply of cattle and favorable selling margins for beef, offset in part by increased losses on pork operations occasioned by a sharply reduced supply and increased hog prices.

The Consumer Products and Pharmaceuticals group net income declined because of a significant deterioration in margins on pharmaceutical blood products resulting from temporary excess industry supplies. The effects of this abnormal condition were substantially offset by increased income from Dial soap resulting from heavier sales volume and lower raw material costs.

Leasing group income increased because of lower interest rates, the change in the investment tax credit rate, and increased earnings from foreign operations. Services group net income increased because of the expansion of existing operations and the full year's operations of a new company which provides support services to the Alaskan pipeline operations. Food Service group income increased as a result of acquiring food service and sundries retailing facilities in Chicago.

1974 Compared to 1973

Net income for 1974 declined $6.8 million from 1973 due to the high cost of feeding cattle for sale on the public market, which led to this business being discontinued at the end of 1974. Other factors influencing the decline in 1974 net income by principal business groups are as follows:

Transportation group revenues rose in 1974 due to increased passenger traffic during the first half of the year, arising from the energy crisis. During this period, expenses increased due to escalation of fuel costs and wages, while fare increases were not granted until the third quarter. Also, during the fourth quarter, earnings were reduced by a one week bus drivers' strike coupled with reduced passenger traffic resulting from the general economic slowdown.

Food group earnings declined due to losses in its poultry operations. These losses were caused by the competitive effect of lower red meat prices which resulted in lower turkey prices, higher feed costs and the costs of carrying a substantially larger inventory.

The Consumer Products and Pharmaceuticals group increase in income was primarily attributable to higher margins on canned meat products and higher sales of certain pharmaceutical products. The Services group experienced higher revenues and income due principally to greater volumes. The decline in earnings in the Food Service group resulted from a decline in the level of business activity at various industrial locations, particularly in the automobile industry.

Interest expense increased significantly due to increases in interest rates and borrowings which were incurred to finance substantially higher levels of inventories and receivables. Pension costs increased under certain union pension plans negotiated during 1974, and depreciation expense increased because of management's decision to temporarily suspend used bus sales (gains from which are applied as a reduction of depreciation expense).

Summary of Principal Business Activities (000 omitted)

	1975	1974	1973	1972	1971
Sales and Revenues:					
Transportation	$ 713,984	$ 673,350	$ 614,229	$ 614,895	$ 576,262
Food	2,391,631	2,235,713	2,298,627	1,912,834	1,751,604
Consumer Products and Pharmaceuticals	430,401	357,183	319,313	266,348	259,866
Leasing[1]	74,700	73,980	61,113	56,072	56,786
Services	175,934	151,130	130,452	110,787	96,762
Food Service	138,855	126,875	131,199	119,626	117,303
Corporate and other	5,435	3,697	2,785	1,132	2,180
	3,930,940	3,621,928	3,557,718	3,081,694	2,860,763
Less eliminations[2]	182,716	152,647	136,271	128,477	118,377
	$3,748,224	$3,469,281	$3,421,447	$2,953,217	$2,742,386
Income of Continuing Operations before Extraordinary Loss:					
Transportation	$ 40,206	$ 37,784	$ 40,072	$ 45,247	$ 41,380
Food	17,448	9,389	20,710	6,837	14,001
Consumer Products and Pharmaceuticals	14,439	15,012	13,672	13,111	15,808
Leasing	12,241	10,309	11,031	14,654	11,150
Services	12,900	10,925	9,150	7,046	5,763
Food Service	2,553	2,180	3,176	2,330	1,875
Corporate and other	(10,716)	(11,367)	(10,828)	(9,964)	(11,565)
	89,071	74,232	86,983	79,261	78,412
Less eliminations[2]	7,851	6,066	7,203	9,115	10,825
	$ 81,220	$ 68,166	$ 79,780	$ 70,146	$ 67,587

[1] Revenues of 1971-1974 have been restated to include the amortization of deferred investment tax credits.
[2] Subsidiaries not consolidated, intercompany eliminations and minority interests.

AUDITORS' REPORT

To the Stockholders and
Board of Directors of
The Greyhound Corporation

We have examined the statement of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1975 and 1974, and the related statements of income, stockholders' equity and changes in financial position for the years then ended. We have also examined the accompanying statement of consolidated financial condition of Greyhound Leasing & Financial Corporation and consolidated subsidiaries as of December 31, 1975 and 1974, and the related statements of income, retained income and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial positions of The Greyhound Corporation and consolidated subsidiaries and of Greyhound Leasing & Financial Corporation and consolidated subsidiaries at December 31, 1975 and 1974, and their respective results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Touche Ross & Co.

Phoenix, Arizona
February 24, 1976

Significant Accounting and Financial Policies

The following briefly describes the significant accounting and financial policies of The Greyhound Corporation ("Greyhound") and its consolidated subsidiaries which have been followed in the preparation of the accompanying financial statements and should be read as an integral part thereof.

Basis of Preparation:

The consolidated financial statements include the accounts of Greyhound and its subsidiaries except for (1) Greyhound Leasing & Financial Corporation ("Greyhound Leasing"), a wholly-owned subsidiary engaged in general equipment leasing and financing, (2) Greyhound Lines of Canada Ltd. ("Lines of Canada") and Greyhound Computer Corporation ("Greyhound Computer"), both of which are not consolidated because there is a public market for their common stocks, (3) subsidiaries engaged in reinsurance operations, and (4) foreign subsidiaries. All unconsolidated subsidiaries are reflected in the accounts using the equity method of accounting. In addition, the equity method is used for reflecting investments in affiliated companies in which Greyhound has a 20 per cent to 50 per cent ownership of voting securities. All material intercompany transactions and accounts are eliminated in consolidation.

Inventories:

Inventories of fresh and processed meat products (except pork products) are stated at market less allowance for selling expenses because it is not practicable to determine costs. Certain raw materials used in the manufacture of soap and substantially all raw materials of pork products are stated at cost on the "last-in, first-out" method. Transportation inventories and supplies are stated at cost. All remaining inventories, including all processing costs included in the carrying values of soap and pork products, are stated at the lower of cost on the "first-in, first-out" method or market.

Marketable Securities:

Short-term marketable securities are stated at the lower of aggregate cost or quoted market. Long-term investments in marketable equity securities, as defined in Statement No. 12 of the Financial Accounting Standards Board ("FASB"), are stated at the lower of aggregate cost or quoted market beginning December 31, 1975. Investments in bonds which are considered to be long-term investments are stated at amortized cost because management intends to continue to hold such securities until the carrying amount can be recovered.

Realized gains and losses on the sale of all marketable securities, market valuation adjustments applicable to short-term marketable securities and adjustments to reflect any permanent diminution in value of long-term marketable securities are charged or credited to income. Valuation adjustments which are not deemed to reflect a permanent diminution in the value of long-term marketable equity securities are charged or credited to retained income. Realized gains or losses are computed based upon the average cost of applicable securities.

Property and Equipment:

Property and equipment are stated at cost and depreciation is provided principally on the straight-line method over estimated useful lives. The cost of additions and improvements, and renewals which substantially extend the useful life of the particular asset, are capitalized. Repair and maintenance expenditures are charged to operations. The ranges of annual depreciation rates used are as follows:

Buildings	2¼% to 5%
Buses (9% and 10% salvage)	8% to 10%
Machinery and other equipment	4% to 33%
Leasehold improvements	Term of leases

The cost and related accumulated depreciation of assets sold or otherwise disposed of are eliminated from the property accounts. Gains or losses on such sales or other disposals in the normal course of business are reflected in income, with amounts applicable to the sales of depreciable assets of transportation companies reflected as an adjustment of depreciation expense. Gains or losses on the disposition of certain Armour and Company ("Armour") facilities closed in connection with replacing or relocating operations through 1974 have been credited or charged to a then existing "Reserve for replacement or relocation of facilities."

Intangibles:

Intangibles attributable to the investment in Armour-Dial, Inc. ("Dial") which arose from the acquisition of Armour by

Greyhound, including the portion related to Dial shares held by minority interests until 1972, and certain other intangibles arising prior to October 31, 1970, are carried at cost and will not be amortized unless there is deemed to be a diminution in value of the related investments. Other intangibles purchased after October 31, 1970 are amortized on a straight-line basis over the periods of expected benefit, but not in excess of forty years.

Pension Plans and Other Employee Benefits:

Pension plans are generally funded on the basis of annual actuarial determinations of current service costs, interest on unfunded prior service costs, and amortization of unfunded prior service costs over periods ranging from twenty to forty years.

The cost of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, is charged to income based upon current costs.

The pension and insurance costs attributable to former employees of certain closed plants are charged to the liability for "Pensions and other benefits."

Federal Income Taxes:

Deferred federal income taxes are provided on material items entering into the determination of net income for which there are timing differences between tax and financial reporting. Deferred taxes are also provided, when applicable, on undistributed income of foreign subsidiaries which management considers to be available for the payment of dividends. Except for the equipment leasing subsidiaries, investment tax credits are included in income in the year the credit is available as a reduction of federal income taxes. Investment tax credits available to leasing subsidiaries are deferred and amortized to income over the approximate life of the related equipment.

Foreign Currency Translations:

At December 31, 1975, assets and liabilities of Canadian and foreign subsidiaries have been translated into U.S. dollar equivalents in accordance with the guidelines of FASB Statement No. 8. Under these guidelines, assets and liabilities have been translated at the rate of exchange in effect at the end of the year except for certain long-term assets, principally property and equipment, which have been translated at historical rates of exchange. Net income has been translated at average rates prevailing during the year except that depreciation expense has been translated at the rates in effect when the related assets were acquired. Translation gains and losses, which are not material, are included in income.

The principal differences between the above basis of translation and the methods previously applied arise from the translation of long-term liabilities at current rates of exchange. The cumulative effect of the change in translation method was not material and is included in 1975 income.

Product Development, Research, Advertising and Promotion:

Product development and research costs are charged to income when incurred. Advertising and promotion costs are charged to income in the year the related programs are featured.

Income Per Share:

Income per common and common equivalent share is computed on the weighted average number of common and common equivalent shares outstanding during the year after restatement to the beginning of the year for shares issued in acquisitions accounted for as poolings of interests and after giving effect to stock options and warrants considered to be common stock equivalents, including outstanding stock options of subsidiaries. When stock options and warrants are anti-dilutive they are not included in the income per share calculations.

Income per share, assuming full dilution, is based upon the average number of common and common equivalent shares outstanding, determined as set forth above, after giving effect to additional dilutive stock options and warrants, if any, and the equivalent number of common shares issuable upon conversion of convertible debt and 3 per cent preference stock outstanding during each year. Net income is adjusted for the interest (net after tax) on debentures deemed converted, for dividends on the 3 per cent preference stock and for the dilutive effect assuming conversion of the outstanding debentures of Greyhound Computer.

Greyhound Leasing:

The significant accounting and financial policies of Greyhound Leasing are presented in Note A to its financial statements contained elsewhere herein.

Statement of Consolidated Financial Condition

ASSETS	December 31, 1975	1974
CURRENT ASSETS:		
Cash (Note E)	$ 59,283,117	$ 51,529,443
Short-term investments	5,379,762	6,169,736
Receivables	215,034,811	200,223,409
Inventories (Note C)	208,902,146	221,797,152
Prepaid expenses and other current assets	15,787,314	12,268,767
TOTAL CURRENT ASSETS	504,387,150	491,988,507
PROPERTY AND EQUIPMENT (Note F):		
Land	47,031,054	46,467,934
Buildings and leasehold improvements	271,380,972	259,871,673
Buses	271,019,565	252,043,063
Machinery and other equipment	285,831,042	269,984,893
	875,262,633	828,367,563
Less accumulated depreciation	380,294,032	373,961,193
	494,968,601	454,406,370
INVESTMENTS AND OTHER ASSETS:		
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note B)	157,780,968	133,123,392
Bonds, at amortized cost (Note D)	31,682,864	36,112,857
Other investments, advances and assets (Note D)	26,833,533	29,515,847
	216,297,365	198,752,096
INTANGIBLES, including $176,243,455 attributable to investment in Dial	212,311,071	212,181,263
	$1,427,964,187	$1,357,328,236

See notes to consolidated financial statements and summary of significant accounting and financial policies elsewhere herein.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1975	1974
CURRENT LIABILITIES:		
Short-term bank loans (Note E)	$ 16,726,803	$ 39,189,562
Accounts payable	125,915,517	119,955,401
Salaries and wages	48,644,365	45,293,655
Dividends	11,288,673	10,939,595
Income and other taxes (Note I)	29,619,265	21,923,928
Other accrued expenses	29,475,479	27,222,560
Due to unconsolidated subsidiaries, net (Notes E and I)	5,916,206	3,340,352
Current portion of long-term debt	16,048,233	13,033,487
TOTAL CURRENT LIABILITIES	283,634,541	280,898,540
LONG-TERM DEBT, less current portion included above (Note F):		
Senior debt	262,320,467	239,699,054
Subordinated debt	111,357,080	116,282,720
	373,677,547	355,981,774
OTHER LIABILITIES AND DEFERRED ITEMS:		
Deferred federal income taxes	51,934,237	41,411,369
Pensions and other benefits	24,916,012	25,541,312
Insurance reserves	23,851,298	28,635,676
Other	9,085,397	6,946,333
	109,786,944	102,534,690
COMMITMENTS AND CONTINGENT LIABILITIES (Notes I, K and L)		
MINORITY INTEREST — Armour $4.75 preferred stock (Note L)	45,896,200	46,091,200
STOCKHOLDERS' EQUITY (Notes G and H):		
Convertible preference stock	305,300	422,500
Common stock	65,684,289	64,300,781
Additional capital	246,910,416	250,283,270
Retained income (Notes F and I)	307,813,564	268,299,053
Common stock in treasury, at cost	(5,744,614)	(11,483,572)
	614,968,955	571,822,032
	$1,427,964,187	$1,357,328,236

Consolidated Income Statement

	Year Ended December 31, 1975	1974
SALES AND OPERATING REVENUES:		
Food processing and manufacturing	$2,820,203,780	$2,591,703,791
Transportation and services	913,087,275	866,631,989
Other income (Note L)	14,932,580	10,945,116
	3,748,223,635	3,469,280,896
COSTS, EXPENSES AND MINORITY INTERESTS:		
Food processing and manufacturing	2,702,493,874	2,484,882,869
Transportation and services	729,993,795	683,640,245
Taxes, other than income taxes	72,548,231	71,849,414
Pension costs (Note J)	54,330,985	48,970,136
Depreciation	47,624,916	45,810,074
Interest	32,424,463	32,234,855
Minority interests	2,698,990	2,679,043
	3,642,115,254	3,370,066,636
INCOME BEFORE INCOME TAXES	106,108,381	99,214,260
INCOME TAXES (Note I)	45,216,000	47,780,000
INCOME OF CONTINUING OPERATIONS OF GREYHOUND AND CONSOLIDATED SUBSIDIARIES	60,892,381	51,434,260
EQUITY IN NET INCOME OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES (Note B)	20,327,947	16,731,516
INCOME OF CONTINUING OPERATIONS	81,220,328	68,165,776
LOSS OF DISCONTINUED CATTLE FEEDING OPERATIONS (Note B)		10,210,949
NET INCOME	$ 81,220,328	$ 57,954,827
INCOME PER SHARE:		
Common and equivalents:		
Continuing operations	$1.87	$1.62
Net income	1.87	[illegible]
Assuming full dilution:		
Continuing operations	1.76	[illegible]
Net income	1.76	[illegible]
AVERAGE OUTSTANDING SHARES:		
Common and equivalents	43,439,688	42,189,972
Assuming full dilution	47,769,965	46,525,268

See notes to consolidated financial statements and summary of significant accounting and financial policies elsewhere herein.

Statement of Stockholders' Equity

	Year Ended December 31, 1975	1974
3% CONVERTIBLE PREFERENCE STOCK (Note G):		
Balance, beginning of year	$ 422,500	$ 431,000
Conversions to common stock	(117,200)	(8,500)
Balance, end of year	$ 305,300	$ 422,500
COMMON STOCK (Notes G and H):		
Balance, beginning of year	$ 64,300,781	$ 64,296,354
Shares utilized in poolings	1,380,111	
Shares issued, other	3,397	4,427
Balance, end of year	$ 65,684,289	$ 64,300,781
ADDITIONAL CAPITAL:		
Balance, beginning of year	$250,283,270	$250,652,844
Adjustments relating to common stock issued or treasury stock reissued upon:		
Conversion of preference stock and debentures	15,528	41,895
Exercise of warrants and employee stock options	(178,054)	(209,589)
Acquisition of companies		(264,037)
Adjustments for treasury shares utilized in poolings	(2,257,364)	
Adjustments as a result of poolings	(1,062,365)	
Other, net	109,401	62,157
Balance, end of year	$246,910,416	$250,283,270
RETAINED INCOME (Notes F and I):		
Balance, beginning of year	$268,299,053	$256,702,657
Net income	81,220,328	57,954,827
Cash dividends declared:		
3% preference stock, $.75 quarterly per share	(10,661)	(12,704)
Common stock, $.26 quarterly per share, except $.31 for second quarter of 1974	(44,488,927)	(45,951,545)
Adjustments for treasury shares utilized in poolings	(2,048,118)	
Adjustments as a result of poolings	7,225,475	
Provision for unrealized loss on marketable equity securities (Note D)	(2,378,068)	
Other, net	(5,518)	(394,182)
Balance, end of year	$307,813,564	$268,299,053
COMMON STOCK IN TREASURY (Note G):		
Balance, beginning of year	$ (11,483,572)	$ (12,297,988)
Shares utilized in poolings	4,722,141	
Other shares reissued, net of shares acquired	1,016,817	814,416
Balance, end of year	$ (5,744,614)	$ (11,483,572)

See notes to consolidated financial statements and summary of significant accounting and financial policies elsewhere herein.

Statement of Changes in Consolidated Financial Position

	Year Ended December 31, 1975	1974
SOURCE OF FUNDS:		
From operations:		
Net income	$ 81,220,328	$ 57,954,827
Depreciation	47,624,916	45,810,074
Deferred federal income taxes	7,845,000	8,140,000
Loss from discontinued operations of unconsolidated subsidiary		10,210,949
Undistributed net income of other unconsolidated subsidiaries and affiliated companies	(11,121,998)	(8,892,917)
Net gains on sale of property and equipment	(5,259,983)	(893,397)
Other items, net	2,956,895	2,645,502
Total from operations	123,265,158	114,975,038
Long-term debt financing, net of discount and expenses	84,141,022	43,209,949
Net increase in bank loans and commercial paper		17,627,161
Additional proceeds from businesses previously sold	3,372,500	986,000
Proceeds from disposals of property and equipment	20,213,102	9,585,819
Cancellation of Greyhound Leasing capital notes (Note B)	20,000,000	
Decrease in investments, advances and other assets	5,356,902	
Decrease in receivables and inventories	2,783,570	
Increase in current accrued liabilities	12,319,627	
Issuance of common stock	857,725	651,350
Other items, net		3,268,683
	272,309,606	190,304,000
USE OF FUNDS:		
Expenditures for property and equipment	96,609,841	71,363,391
Dividends	44,499,588	45,964,249
Retirement of long-term debt	73,289,563	25,227,824
Net decrease in bank loans and commercial paper	16,118,354	
Acquisition of businesses	1,080,275	8,361,763
Acquisition of capital stock (net of shares reissued for purchased companies)	206,093	8,803
Transactions with Greyhound Leasing (Note B):		
Payment for prior years' tax benefits		12,188,601
Contribution of capital notes and cash	30,000,000	
Increase in investments, advances and other assets		7,698,901
Increase in receivables and inventories		34,100,479
Decrease in current accrued liabilities		6,740,885
Other items, net	3,542,192	
	265,345,906	211,654,896
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	$ 6,963,700	$ (21,350,896)

See notes to consolidated financial statements and summary of significant accounting and financial policies elsewhere herein.

Notes to Consolidated Financial Statements

Years Ended December 31, 1975 and 1974

Note A — Acquisitions and Sales of Companies:

In April, 1975, a group of ten affiliated companies which operated blood plasma collection centers was acquired for 247,773 shares of Greyhound common stock; in July, 1975, Vermont Transit Co., Inc., which provides intercity bus service in six New England states, was acquired for 300,000 shares of Greyhound common stock; in December, 1975, a group of eleven affiliated companies operating restaurants and food service facilities, which also retail sundry items, was acquired for 650,074 shares of Greyhound common stock. These acquisitions were accounted for as poolings of interest and are included in Greyhound's consolidated financial statements since January 1, 1975. Prior years were not restated since the effect of these acquisitions is not material. In addition, Greyhound acquired two small affiliated companies in the convention servicing business in July, 1975 for 85,200 shares of Greyhound common stock. This acquisition was accounted for as a purchase and the related intangibles of $651,000 are being amortized over forty years.

In December, 1974, Greyhound purchased all the outstanding common stock of Malina Company Inc. ("Malina") for 370,370 Greyhound common shares. A maximum of 370,370 additional shares may be issued to the former Malina shareholders through 1979 depending upon the level of Malina's net income in such years. In addition, during 1974, certain assets related to the "Burley" and "Manpower" men's personal care products, and five additional small companies were purchased for cash. The intangibles of $2,540,000 arising from these acquisitions are being amortized over forty years.

In January, 1976, Greyhound sold its United Kingdom subsidiary engaged in turkey operations for cash which approximated the investment in this subsidiary at December 31, 1975. In addition, during 1975 Greyhound discontinued the operations of General Fire and Casualty Company ("General Fire") and in 1976 intends to liquidate or sell General Fire's remaining net assets. It is anticipated that the proceeds realized upon sale or liquidation will approximate the investment in this subsidiary. Prior years' financial statements have not been restated to reflect the sale or discontinuance of these companies because their results of operations were not material.

Note B — Unconsolidated Subsidiaries and Affiliated Companies:

Pursuant to a reorganization of the corporate structure of Greyhound's leasing subsidiaries in February, 1976, Greyhound Leasing distributed its holdings of the capital stock of Greyhound Computer to Greyhound. The accompanying financial statements reflect the reorganization and present Greyhound Computer as an unconsolidated subsidiary of Greyhound for both 1975 and 1974. Such presentation has no effect on previously reported net income or retained income of Greyhound. In addition, in December, 1975, Greyhound contributed $20,000,000 principal amount of 6½ per cent capital notes of Greyhound Leasing and $10,000,000 in cash to the capital of Greyhound Leasing.

During 1975 and prior years Greyhound formed three subsidiary companies (one domestic and two foreign) which are engaged in casualty reinsurance activities obtained principally through Lloyds of London.

Greyhound's investments in and advances to unconsolidated subsidiaries and affiliated companies at year-end and its equity in net income for 1975 and 1974 consist of the following:

	1975	1974
Investments and Advances:		
Greyhound Leasing (100% owned)	$ 61,256,576	$ 46,164,027
Greyhound Computer (84% owned)	49,099,927	47,902,839
Lines of Canada (62% owned)	25,131,261	21,967,150
Reinsurance subsidiaries (100% owned)	6,167,986	2,803,016
Other foreign subsidiaries	11,435,865	9,716,814
Affiliated companies	4,689,353	4,569,546
	$157,780,968	$133,123,392
Equity in Net Income:		
Greyhound Leasing	$ 10,942,549	$ 8,606,608
Greyhound Computer	1,197,088	1,407,465
Lines of Canada	5,466,774	4,528,111
Reinsurance subsidiaries	175,337	174,817
Other foreign subsidiaries	1,948,457	915,939
Affiliated companies	597,742	1,098,576
	$ 20,327,947	$ 16,731,516

Cattle Science Capital Corp., previously an unconsolidated subsidiary, discontinued its business of feeding cattle in commercial feedlots for sale on the public market in December, 1974. The net loss from such operations, set forth separately in the consolidated income statement for the year 1974, is stated net of related income tax reduction of $9,425,000.

Separate financial statements of Greyhound Leasing are presented elsewhere herein and condensed financial information of Greyhound Computer is presented in Note M.

Note C — Inventories:

Year-end inventories were comprised of the following:

	1975	1974
Food processing	$ 78,652,552	$ 98,131,350
Consumer products and pharmaceuticals	82,081,325	87,347,123
Transportation and other	48,168,269	36,318,679
	$208,902,146	$221,797,152

Inventories of certain raw materials used in the manufacture of soap and substantially all raw materials of pork products, aggregating $4,598,000 in 1975 and $7,787,000 in 1974, are stated at cost on the "last-in, first-out" ("Lifo") method. The decrease in 1975 in inventories stated on the Lifo method resulted from reduction of base quantities of pork products. The effect on net income of liquidating quantities carried at lower costs prevailing in prior years compared with the cost of 1975 purchases was not material. If inventories stated on the Lifo method were stated on the basis of lower of cost on the "first-in, first-out" method or market, or at market less allowance for selling expenses, which are the bases used for pricing all other food processing and consumer products and pharmaceuticals inventories, inventory valuations would have been increased $13,859,000 at the end of 1975 and $14,948,000 at the end of 1974.

Note D — Bonds and Other Investments, Advances and Assets:

At December 31, 1975, "Other investments, advances and assets" includes marketable equity securities with a cost of $6,597,000 stated at their aggregate quoted market of $4,219,000. The valuation allowance of $2,378,000 established to reduce the carrying amount of marketable equity securities from aggregate cost to aggregate quoted market has been charged to retained income. Marketable equity securities on hand at December 31, 1974 were stated at cost which was $3,500,000 in excess of aggregate quoted market at that date. These equity securities in both 1975 and 1974 are held in support of insurance reserves and there is currently no intention of disposing of such securities in the near future. Gains or losses from the sale of marketable equity securities were not material in 1975.

The amortized cost of Greyhound's investment in bonds at December 31, 1975 and 1974 was $4,295,000 and $6,031,000 in excess of their respective quoted market values at those dates. Bonds aggregating $22,851,000 are collateralized in support of an equivalent amount of insurance claim liabilities.

Note E — Short-term Debt and Compensating Balances:

Greyhound satisfies its short-term financing requirements by the issuance of commercial paper and by borrowings under short-term bank lines of credit. The following information pertains to such short-term debt:

	1975	1974
Average interest rates at end of year*:		
Short-term bank loans	7.9%	10.1%
Commercial paper	6.0%	10.2%
Maximum amount of short-term debt outstanding during year	$134,218,000	$131,281,000
Average daily short-term debt outstanding during year	$103,115,000	$ 98,332,000
Weighted average interest rate on short-term debt outstanding during year*	7.3%	10.9%

*Exclusive of the cost of maintaining compensating balances and, for commercial paper, the cost of supporting bank credit.

At December 31, 1975 and 1974, short-term bank loans and commercial paper aggregating $65,206,000 and $93,538,000, respectively, were classified as long-term debt. As more fully described in Note F, such amounts were refinanced from the proceeds of debentures sold in January 1976 and 1975 or were supported by the unused commitment available under a long-term revolving credit. A term loan of $36,000,000 due in installments to November, 1977, under a credit agreement outstanding at the end of 1974, was paid in January, 1975, and therefore was classified as short-term bank debt at December 31, 1974.

Greyhound had short-term bank lines which are subject to annual renewal aggregating $104,600,000 with outstanding borrowings of $25,021,000 at December 31, 1975. In January, 1976, Greyhound reduced such lines to $49,850,000. Of the lines remaining, $32,500,000 can be withdrawn by the banks at any time if in their opinion there has been an adverse change in Greyhound's financial condition and $17,350,000 can be withdrawn at the option of the banks. Compensating balances equivalent to 10 per cent of the unused commitment are required on $30,000,000 of these lines, increasing to 20 percent of the credit when in use.

Outstanding commercial paper is supported by unused portions of the short-term bank lines described above and by the Eurodollar revolving credit described in Note F.

During 1975, funds utilized as compensating balances

under various short-term and long-term credit agreements (see Note F) of Greyhound and its consolidated subsidiaries averaged approximately $17,319,000. In addition, Greyhound's funds averaging $28,214,000 during 1975 were utilized to satisfy compensating balance requirements of Greyhound Leasing. Greyhound receives interest from Greyhound Leasing for the use of certain of these funds at ½ of 1 per cent above the banks' prime interest rate for Greyhound's short-term borrowings. Cash balances required for operating purposes, float and funds specifically provided are utilized as compensating balances. There are no restrictions on the utilization of funds maintained as compensating balances.

Note F — Long-term Debt:

Long-term debt, less the portion due within one year, was as follows at year-end:

	1975	1974
Senior debt:		
Loans payable to banks:		
Revolving credits, 7% at December 31, 1975	$ 45,000,000	$ 70,000,000
Term loan, 8-6/10% at December 31, 1975	8,666,666	10,833,333
Commercial paper and bank loans supported by unused revolving credit or refinanced by the sale of debentures	65,206,000	93,538,000
9⅞% Sinking fund debentures, due 1986 to 2000, net of unamortized discount	74,468,751	
6% Notes, due to 1984	19,075,000	21,350,000
Real estate mortgages and other obligations, due to 2000, 4% to 9½%, with property of $80,116,000 pledged as collateral at December 31, 1975	49,904,050	43,977,721
	262,320,467	239,699,054
Subordinated debt:		
Convertible subordinated debentures	82,298,800	82,737,000
5% Cumulative income subordinated debentures, due to 1984	29,058,280	33,545,720
	111,357,080	116,282,720
	$373,677,547	$355,981,774

Loans payable to banks are borrowed from participating banks under three credit agreements which provided for total credit of $100,833,000 at December 31, 1975. Two of these agreements, a domestic credit and a Eurodollar credit, are revolving credits, and the third is a term loan. In January, 1976, Greyhound reduced the aggregate credit under such agreements to $55,833,000.

The domestic credit provides for a maximum of $45,000,000 (reduced to $15,000,000 in January, 1976) all of which was borrowed at December 31, 1975 and 1974. This agreement provides for interest at the bank prime rate, a commitment fee of ½ of 1 per cent of the unused credit, and no current payments of principal so long as the required borrowing base is maintained. However, if loans are not renewed annually in May, repayment is required in quarterly installments over four years. Under certain conditions the lenders may obtain a first lien on buses as collateral for the loan. Greyhound has agreed to maintain compensating balances of 15 per cent of the total commitment. Reference is made to Note E for additional information on compensating balance requirements. All amounts borrowed under this agreement at December 31, 1975 were repaid in January, 1976.

The Eurodollar credit provides for a maximum credit of $45,000,000 (reduced to $30,000,000 in January, 1976) to October, 1978, of which none was borrowed at December 31, 1975 and $25,000,000 was borrowed at December 31, 1974. Interest is at ¾ of 1 per cent over the London interbank offered rate until October 31, 1976, increasing to 1 per cent over such rate to maturity. This agreement provides for a commitment fee of ½ of 1 per cent of the unused credit, but does not require compensating balances.

The term loan requires repayments in equal semi-annual installments to September, 1980. Interest is at 118 per cent of the bank prime rate until September, 1977, and thereafter at 120 per cent of such prime rate.

In January, 1976, Greyhound sold $100,000,000 of 9⅜ per cent sinking fund debentures, due January 15, 2001, at a price of 99.25 per cent. The proceeds from the sale were $98,242,000 after deducting underwriting discounts, commissions and estimated expenses. Of this amount, $45,000,000 was used by Greyhound to repay borrowings under the domestic revolving bank credit and $45,400,000 was used to reduce short-term debt outstanding at the date of sale. In January, 1975, Armour sold $75,000,000 of 9⅞ per cent sinking fund debentures and the proceeds of $73,538,000 were used to reduce short-term debt. At December 31, 1975 and 1974 short-term debt equal to the amounts

from the debenture sales which were utilized to reduce short-term debt has been classified as long-term debt. In addition, outstanding commercial paper of $19,806,000 at December 31, 1975 and $20,000,000 at December 31, 1974, which was supported by the available unused Eurodollar revolving credit, was classified as long-term debt.

Outstanding subordinated debentures convertible into common stock were as follows at year-end:

Interest Rate	Date Due	Conversion Price	1975	1974
6½ %	1983 to 1990	$18.375	$68,130,000	$68,130,000
5 %	1979 to 1984	26.40	12,360,000	12,360,000
4½ %	1983	15.74	1,808,800	2,247,000
			$82,298,800	$82,737,000

Retirements of 5 per cent cumulative income subordinated debentures will amount to $5,288,000 in 1976. At December 31, 1975 a total of $2,960,000 of such principal amount of debentures had been reacquired for retirement directly or through deposit into the sinking fund and this amount has been reflected as a reduction of long-term debt. At December 31, 1974, $2,263,000 of debentures had been acquired and so reflected. In 1977 and thereafter, maximum annual sinking fund requirements (under certain conditions) are $2,195,000.

Maximum annual maturities of long-term debt outstanding at December 31, 1975 becoming due during the four years ending December 31, 1980, will approximate $15,652,000 (1977), $34,474,000 (1978), $11,706,000 (1979) and $11,712,000 (1980). Commercial paper of $19,806,000 classified as long-term debt has been included in 1978 maturities because any borrowings under the Eurodollar credit will become due in 1978.

The agreements pertaining to long-term debt contain various restrictive covenants and require the maintenance of certain defined financial ratios. At December 31, 1975, under the most restrictive provision of the agreements, retained income of $170,608,000 was unrestricted as to the payment of dividends. Other provisions require Greyhound to maintain consolidated working capital, as defined, of $125,000,000. At December 31, 1975, consolidated working capital, as defined, exceeded the required amount by $93,391,000.

Note G — Capital Stock:

Shares of Greyhound capital stock authorized, issued and outstanding at the end of the year were as follows:

	1975	1974
Second Cumulative Preference Convertible, 3%, par value $100 per share, authorized 20,357 shares; issued and outstanding	3,053	4,225
Preference, without par value, issuable in series, authorized 5,000,000 shares; none issued		
Common, par value $1.50 per share, authorized 70,000,000 shares; issued	43,789,526	42,867,187
Less common shares in treasury	330,287	664,609
Outstanding common shares	43,459,239	42,202,578

The preference stock may be issued in one or more series, with the number of shares, rights, preferences and terms of each series to be established by the Board of Directors.

Changes in outstanding common shares during 1975 and 1974 were as follows:

	1975	1974
Shares outstanding, beginning of year	42,202,578	42,152,810
Conversion of 3% preference stock	3,983	297
Conversion of debentures	27,832	5,120
Issued for acquired companies	1,283,047	370,370
Exercise of warrants and employee stock options	26,995	44,365
Acquired for treasury	(85,196)	(370,384)
Shares outstanding, end of year	43,459,239	42,202,578

At December 31, 1975, a total of 14,747,275 shares of common stock, including 228,022 shares in treasury, were reserved for conversion of the 3 per cent preference stock and debentures (4,300,141), for exercise of outstanding warrants (7,307,267), for stock options (2,754,497) and for possible issuance in connection with prior acquisitions (385,370). Of the shares issuable on conversion of the preference stock and debentures and on the exercise of warrants, 114,917 shares are issuable at a price of $15.74; 3,707,755 shares at $18.375; 6,140,600 shares at $23.50

and the balance is issuable at prices ranging from $26.40 to $32.87 per share. Generally the conversion prices and warrant exercise prices are subject to adjustment under certain circumstances.

Note H — Stock Options:

In 1973 the stockholders of Greyhound approved the 1973 Stock Option Plan for officers and key employees and terminated the 1957 Stock Option Plan. Two types of options for common shares may be granted under the 1973 plan: (1) options which fulfill the qualifications of the Internal Revenue Code of 1954 (qualified stock options) and (2) options which do not satisfy the tax law qualifications (non-qualified stock options). Qualified options are granted at the market price at the date of grant while non-qualified options may be granted at no less than eighty-five per cent of the market price at the date of grant. All outstanding qualified and non-qualified stock options at December 31, 1975 were granted at the market price at dates of grant. Qualified options, including all options outstanding which have been granted under the 1957 plan, may be exercised up to five years after the date of grant, and non-qualified options may be exercised up to ten years after the date of grant.

During 1975, non-qualified options for 108,925 shares were granted at a price of $13.00 per share, and options were exercised for 26,962 shares, of which 6,462 were qualified and 20,500 were non-qualified at respective average per share prices of $9.76 and $11.64. In 1974, non-qualified options for 363,800 shares were granted at a price of $11.63 per share and options were exercised for 44,362 shares of which 43,287 were qualified and 1,075 were non-qualified at respective average per share prices of $12.70 and $11.63.

At December 31, 1975, there were 2,754,497 shares of common stock reserved for stock options and at that date options with respect to 871,308 common shares were outstanding which were granted at prices ranging from $9.73 to $21.63 per share, with an average price of $13.58 per share.

Changes in stock option shares outstanding during 1975 are set forth below:

	Number of Option Shares	
	Qualified	Non-qualified
Balance, beginning of year	1,003,880	361,125
Granted		108,925
Exercised	(6,462)	(20,500)
Cancelled	(561,460)	(14,200)
Balance, end of year	435,958	435,350
Options exercisable at end of year	424,384	435,350

Note I — Income Taxes:

The provision for income taxes of Greyhound and its consolidated subsidiaries during 1975 and 1974 consists of the following:

	1975	1974
Currently payable:		
Federal income taxes	$39,829,000	$37,664,000
Investment tax credits	(6,446,000)	(2,779,000)
Other income taxes (principally state)	3,988,000	4,755,000
Total currently payable	37,371,000	39,640,000
Deferred federal income taxes (principally related to depreciation and lease timing differences)	7,845,000	8,140,000
	$45,216,000	$47,780,000

The differences between the provision for federal income taxes and the amount that would be computed using the statutory rate are attributable to the following factors:

	1975	1974
Taxes on income before income taxes at statutory federal income tax rate	$50,932,000	$47,623,000
Add tax effect of minority interests	1,296,000	1,286,000
Less tax effect of:		
State income taxes	(1,787,000)	(2,129,000)
Investment tax credits	(6,446,000)	(2,779,000)
DISC company income exclusion	(699,000)	(427,000)
Other, including effects of capital gains and foreign tax credits	(2,068,000)	(549,000)
Federal income taxes	41,228,000	43,025,000
Other income taxes	3,988,000	4,755,000
Provision for income taxes	$45,216,000	$47,780,000

Greyhound Leasing, as well as other eligible subsidiaries of Greyhound, is included in the consolidated federal income tax returns of Greyhound. As a result, utilization of tax losses, investment tax credits and foreign tax credits have been available to Greyhound which would not have been available to Greyhound Leasing on a separate return basis. These amounts, aggregating $15,822,000 and $14,819,000 in 1975 and 1974, respectively, have not been reflected as a reduction of the provision for federal income taxes currently payable, since the reductions in Greyhound's tax liability have been credited to amounts due to Greyhound Leasing and are paid when realized by Greyhound.

Greyhound's federal income tax returns have been examined by the Internal Revenue Service ("IRS") through 1968. The IRS has proposed additional tax assessments of approximately $31,800,000, plus interest thereon, of which $27,200,000 is applicable to Greyhound Leasing, as more fully explained in Note F to the financial statements of Greyhound Leasing, and $4,600,000 is applicable to Greyhound Computer. The amount of additional tax liability which would result from the proposed additional assessments, if the IRS's position should be sustained, would be reduced to $18,200,000 after giving effect to reductions in taxable income for 1969 through 1975 as a result of the earlier recognition of income proposed by the IRS. Interest (net after tax) to December 31, 1975, on such adjusted amount approximates $8,200,000. Greyhound intends to contest the assessments and in the opinion of both management and independent tax counsel, the ultimate liability should be far less than that proposed by the IRS. Management believes that any ultimate liability will not have a material effect on the consolidated financial condition of Greyhound.

At December 31, 1975 and 1974, retained income includes approximately $12,963,000 and $10,926,000, respectively, of undistributed net income of foreign subsidiaries and DISC companies on which no taxes have been provided because management considers that such income has been permanently invested.

Note J — Pension and Management Incentive Plans:

Greyhound and its subsidiaries, including Greyhound Leasing, have numerous pension plans covering substantially all of their employees. Compliance with the Employee Retirement Income Security Act of 1974 will require amendments to all plans in 1976. It is believed that increases in pension costs arising from all such amendments will be substantially offset by net cost reductions arising from changes in actuarial assumptions which will be made at the time plan amendments become effective. The principal actuarial assumption changes to be made relate to increasing salary progression tables to 6 per cent annually, increasing the anticipated investment yield from 5 per cent to 7½ per cent on an annual basis, changing investment valuations from cost to an amount based upon a five year average of market values and changing the actuarial cost method of a major plan to a method which will spread actuarial gains and losses of prior years over a forty year period. The above actuarial assumption changes were made for certain major plans in 1975.

The excess of the actuarially computed value of vested benefits over the total of plan assets, valued at cost, and balance sheet accruals, for those plans with such an excess, was approximately $125,000,000 at January 1, 1975, the date of the most recent actuarial valuations. At that date, the unfunded prior service costs, including those related to vested benefits, under all plans was approximately $369,000,000.

Under the management incentive plan for officers and key employees and other plans for designated employees, additional compensation is paid, and in certain subsidiary company plans is limited to amounts ranging up to 50 per cent of an employee's basic salary. The funds from which such incentive compensation is paid are generally determined on the basis of specified percentages of income in excess of pre-established objectives. Amounts charged to income for the above were $4,995,000 and $3,130,000, respectively, in 1975 and 1974.

Note K — Lease Obligations:

Certain bus terminals, plants, offices and equipment are held under lease. These leases expire in periods ranging from one to fifty-one years and in some instances provide for renewal options for periods ranging from one to forty years. Leases which expire are generally renewed or replaced by similar leases and in certain instances provide for purchase options. Rental expense under these leases was $46,796,000 in 1975 and $37,975,000 in 1974 including rentals, primarily applicable to non-financing leases, of $14,040,000 and $12,333,000, respectively, of certain bus terminal and service operations which are based upon revenues or usage. Total rent expense includes $8,154,000 and $7,344,000, respectively, pertaining to financing leases.

At December 31, 1975, minimum rental commitments on non-cancellable leases (principally real estate) with an original term of more than one year were as follows:

	Financing Leases	Other Leases
1976	$ 5,773,000	$11,315,000
1977	5,151,000	10,125,000
1978	5,205,000	8,745,000
1979	5,100,000	7,872,000
1980	4,985,000	7,128,000
1981 - 1985	22,279,000	28,483,000
1986 - 1990	18,713,000	14,056,000
1991 - 1995	15,964,000	4,805,000
After 1995	21,518,000	2,246,000
	$104,688,000	$94,775,000

The present value of the minimum lease commitments under non-cancellable financing leases, exclusive of the

amount accrued therefor in the accounts, was $46,551,000 and $48,823,000 at December 31, 1975 and 1974, respectively. Of these amounts $23,748,000 and $25,500,000, respectively, are attributable to Dial's canned meats manufacturing facility and the remaining amounts are principally attributable to bus terminals and food processing and distribution units.

Financing leases are those leases of Greyhound having terms covering 75 per cent or more of the economic life of the property. The weighted average interest rate imputed as to such leases was approximately 7 per cent at both dates and the range of such interest rates was 2 per cent to 10 per cent at December 31, 1975. Capitalization of these leases as property rights and amortization thereof, plus imputed interest, in lieu of rental payments, would result in no material effect on net income in 1975 and 1974. Greyhound has no significant rental income arising from subleases of the rental property included above.

Note L — Commitments, Contingent Liabilities and Other Matters:

Greyhound and certain subsidiaries are parties to pending lawsuits, the outcome of which is not expected to have a material effect upon the financial condition of Greyhound and its consolidated subsidiaries taken as a whole. One of the cases, concerning the competitive relations of Greyhound Lines, Inc. with Mt. Hood Stages, Inc. in prior years, has resulted in trial court awards of treble damages and attorneys' fees aggregating approximately $14,400,000, from which appeal is pending. Several others, which are being contested by pre-trial proceedings, are brought on behalf of alleged but as yet undetermined classes of plaintiffs for alleged discriminatory employment practices without specification of the amount of damages claimed.

Under the terms of credit agreements with certain financial institutions, Greyhound has guaranteed borrowings of Greyhound Leasing aggregating $35,700,000 and $40,000,000 at December 31, 1975 and 1974, respectively. In addition, certain subsidiaries have guaranteed bank credit of various other companies, primarily unconsolidated foreign subsidiaries, aggregating $12,227,000 and $10,485,000 at December 31, 1975 and 1974, respectively, with outstanding borrowings of $7,378,000 and $6,891,000 at such dates.

Other income for 1975 and 1974 is comprised of the following:

	1975	1974
Net gains on sale of property and equipment	$ 5,259,983	$ 893,397
Dividend and interest income	7,277,191	7,284,922
Other	2,395,406	2,766,797
	$14,932,580	$10,945,116

The consolidated operations of Armour included in the financial statements in 1975 are for the fifty-three weeks ended January 3, 1976 and in 1974 for the fifty-two weeks ended December 28, 1974.

The Armour $4.75 preferred stock, $100 par value (minority interest in Armour) is entitled to annual cumulative sinking fund retirements of 6,000 shares. At December 31, 1975 a total of 37,390 reacquired shares were held in the treasury for application to future sinking fund requirements. The par value of these shares has been reflected as a reduction of the minority interest in Armour.

Note M — Investment in Greyhound Computer:

Greyhound Computer, an 84 per cent owned subsidiary, is a third party lessor of data processing computer systems, principally IBM System/360 equipment. Condensed consolidated financial information and notes relating to Greyhound Computer set forth below are presented on the Greyhound cost basis which reflects the excess of the equity in net assets of Greyhound Computer over the cost of Greyhound's investment therein as a reduction of the carrying amount of computer equipment and amortization of the excess over the remaining life of such equipment. The amortization adjustment increased Greyhound Computer's reported net income by $619,000 in 1975 and $606,000 in 1974.

Financial Condition, December 31:

	1975	1974
Assets:		
Cash	$ 9,850,579	$ 13,20[illegible]
Receivables, net	21,881,936	13,332,501
Investment in computer equipment, net (2)	104,348,116	135,541,658
Other assets	4,266,508	4,803,067
Intangible, at cost	4,952,380	4,952,380
	$145,299,519	$ [illegible]
Liabilities and Equity:		
Short-term liabilities	$ 36,075,663	$ 31,876,374
Long-term debt, less current portion (3)	36,992,703	64,037,925
Deferred items, primarily income taxes	11,847,097	16,248,972
Outside shareholders' equity	11,284,129	11,770,249
Greyhound's equity	49,099,927	47,902,839
	$145,299,519	$171,836,359

Income Summary, Year Ended December 31:

	1975	1974
Revenues (1):		
Computer rentals	$ 45,559,159	$ 38,451,286
Computer related services	15,804,036	13,676,434
	61,363,195	52,127,720
Expenses:		
Depreciation	27,579,787	22,668,691
Direct leasing costs	8,406,145	7,041,478
Interest	6,881,726	7,049,811
Selling, administrative and other operating expenses	23,583,899	16,972,727
	66,451,557	53,732,707
Loss before income taxes	5,088,362	1,604,987
Income tax credits (4)	6,394,000	3,163,000
Net income (1)	1,305,638	1,558,013
Outside shareholders' equity in net income	108,550	150,548
Greyhound's equity in net income	$ 1,197,088	$ 1,407,465

The financial statements of Greyhound Computer for the years 1975 and 1974 have been examined by independent public accountants whose opinion thereon is "subject to" future uncertainties which may affect the recovery of Greyhound Computer's investment in its computer equipment.

Notes to Condensed Financial Information of Greyhound Computer

1. Acquisition of Companies:

Computer Leasing Company, which was purchased as of December 31, 1974 for cash and notes, contributed $12,592,000 and $3,900,000 to Greyhound Computer's revenues and net income in 1975.

There are significant potential future income tax benefits available to Greyhound Computer arising from (1) differences between the tax and financial reporting bases and (2) net operating loss and investment tax credit carryovers of acquired companies. Such benefits are applied as a reduction of Greyhound Computer's investment in computer equipment upon realization, and are being amortized to income to December 31, 1978, commencing at acquisition date for differences in tax and financial reporting bases and when realized for carryovers.

2. Investment in Computer Equipment:

Owned computer equipment at December 31, 1975 and 1974 is stated at cost, on the Greyhound cost basis, and leased equipment is stated at the net carrying amount at dates of sale and leaseback. Such stated amounts and the total net carrying amount after deducting accumulated depreciation are set forth below:

(000 omitted)

	1975		1974	
	Stated Amount	Net	Stated Amount	Net
Owned:				
IBM System/360	$202,150	$ 72,608	$242,077	$120,669
Compatible with IBM	17,872	12,568	14,553	11,013
Other	7,490	3,762	8,594	6,732
Leased:				
IBM System/360	17,456	16,573		
Compatible with IBM	1,122	1,090		
	246,090	106,601	265,224	138,414
Reduction to Greyhound cost basis	3,608	2,253	3,608	2,872
	$242,482	$104,348	$261,616	$135,542

Substantially all computer equipment is IBM System/360 and compatible equipment, which is depreciated on a straight-line basis over five to ten years or to December 31, 1978, whichever is shorter, to a residual value of 10 per cent of original cost for equipment initially acquired by Greyhound Computer or to 6 per cent of original cost for equipment of acquired companies. Modifications to enhance utilization of equipment are generally capitalized as deferred charges and amortized over three years.

Substantially all computer leases are operating leases. Accordingly, the recovery of the carrying amount of computer equipment ($104,348,000 at December 31, 1975) is dependent upon Greyhound Computer's ability to renew existing leases or sell or lease the equipment after the expiration of the outstanding leases at satisfactory prices.

A substantial portion of the leases have passed their non-cancellable terms and are subject to termination on 90-120 days notice, in some cases upon payment of cancellation penalties. The following table sets forth by year, on the basis of net monthly rentals, the approximate percentages of computer equipment subject to cancellation at December 31, 1975 and 1974 (exclusive of equipment off-rent, in use in Greyhound Computer's service activities or on-rent to affiliated companies).

	1975			1974
Equipment Subject to Lease Cancellation Within:	Subject to Termination Penalties	Without Penalties	Total	Total
One year	15%	40%	55%	59%
Two years	4	20	24	18
Three or more years	2	19	21	23
	21%	79%	100%	100%

On the basis of combined original cost, the percentage of total equipment off-rent was 9.4 per cent at December 31, 1975, including 3 per cent committed to new lessees at that date, and 11.5 per cent and 5.2 per cent, respectively, at December 31, 1974.

IBM's introductions of (1) certain lower-priced System/360 products, (2) the System/370 computer equipment, and (3) a program of granting discounts on certain equipment, as well as competition from other sources, continue to result in significantly lower rentals on new leases and renewals of Greyhound Computer's System/360 equipment. During 1974, resale values of certain IBM System/360 computer equipment declined significantly, which may adversely affect future rental rates and resale values. In 1975, such resale values have, in general, stabilized. Future achievements in computer technology and the development, manufacture and marketing of advanced computer equipment could significantly influence estimates of useful lives and future rentals or resale values.

With respect to its IBM System/360 leasing operations, Greyhound Computer anticipates continued declining rental rates, decreasing interest costs due to repayment of borrowings, increases in marketing, administrative and certain direct leasing costs and realization of certain potential tax benefits arising from acquired companies. After careful review and evaluation of all of the above factors, management believes that Greyhound Computer will be successful in recovering the remaining carrying amount of computer equipment.

3. Long-term Debt:

Long-term debt at year-end, less the portion due within one year, is summarized below:

	(000 omitted)	
	1975	1974
Senior debt:		
Loans payable to banks	$41,781	$43,305
Advance from Greyhound		10,000
Other	10,555	22,876
Subordinated debt	12,464	12,798
	64,800	88,979
Less current portion	27,807	24,941
	$36,993	$64,038

Annual installments on long-term debt outstanding at December 31, 1975, due in each of the four years ending December 31, 1980 will approximate $10,391,000 (1977); $10,191,000 (1978); $1,143,000 (1979) and $726,000 (1980).

The agreements pertaining to long-term debt require the maintenance of certain defined financial ratios and contain various restrictive covenants, including limitations on expenditures for computer equipment, investments and purchase of Greyhound Computer's common stock and convertible debentures. The scheduled repayments may be accelerated upon occurrence of an event of default, including in certain instances a material adverse change in the financial condition of Greyhound Computer. At December 31, 1975, retained income of $5,178,000 was unrestricted as to the payment of cash dividends.

4. Income Taxes:

The income tax credit as a percentage of pre-tax loss varies from the effective statutory rate of 48 per cent for the reasons explained below:

	(000 omitted)	
	1975	1974
Federal income tax credit at 48% of loss before income taxes	$2,443	$ 770
Add tax effects of:		
Investment tax credit amortization	589	950
Permanent differences, primarily amortization of credits arising from acquired companies	3,141	1,235
Undistributed foreign income, non-taxable	54	116
Rate differential due to reversal of timing differences	175	200
Other items, net	(8)	(108)
	$6,394	$3,163

Greyhound Computer's federal income tax returns have been examined through 1968 and the Internal Revenue Service has proposed an additional tax assessment of approximately $4,600,000, plus interest thereon, which to December 31, 1975 approximates $800,000 (net after tax). The additional assessment relates principally to the tax treatment given payments made by Greyhound Computer in 1967 to terminate an exclusive agency agreement. In the opinion of both management and independent tax counsel, the Internal Revenue Service position should not be fully sustained. Management believes that the final determination of additional taxes due for these years will not have a material effect upon the financial condition of Greyhound Computer.

Statement of Consolidated Financial Condition

ASSETS	December 31, 1975	1974 (Note B)
CASH (Note D)	$ 18,173,852	$ 15,569,029
FEDERAL INCOME TAX BENEFITS, due from Greyhound (Note F)	4,473,886	2,408,991
EQUIPMENT LEASE AND OTHER CONTRACT RECEIVABLES (Notes D and E)	686,393,253	631,077,380
Less:		
Unearned income	235,194,769	247,301,171
Allowance for doubtful accounts	8,620,106	6,613,095
	442,578,378	377,163,114
ESTIMATED RESIDUAL VALUE OF EQUIPMENT ON FINANCE LEASES (Cost — $689,388,000 and $617,592,000, respectively, including $48,783,000 and $21,071,000 applicable to installment sales contracts) (Note D)	102,481,736	100,351,707
INVESTMENTS IN UNCONSOLIDATED SUBSIDIARY AND AFFILIATES:		
Greyhound AG (Note J)	20,356,673	18,586,142
Affiliates	2,150,149	1,717,785
	22,506,822	20,303,927
OTHER ASSETS AND DEFERRED CHARGES	839,511	1,108,269
	$591,054,185	$516,905,037

See notes to consolidated financial statements.

LIABILITIES, DEFERRED ITEMS AND STOCKHOLDER'S EQUITY	December 31, 1975	1974 (Note B)
SHORT-TERM LIABILITIES:		
Bank loans (Note C):		
Short-term bank loans	$ 5,306,611	$ 9,178,077
Eurodollar revolving credit loan	5,000,000	
Accounts payable	9,454,585	4,425,180
Interest	2,881,121	4,167,248
Other accrued expenses	684,287	381,097
Current portion of long-term debt	16,881,500	16,356,146
	40,208,104	34,507,748
LONG-TERM DEBT, less current portion included above (Note D):		
Senior debt	310,702,898	265,742,419
Subordinated debt	42,036,000	70,230,000
	352,738,898	335,972,419
DEFERRED ITEMS (Notes A and F):		
Federal income taxes	117,029,583	105,220,394
Investment tax credits	19,821,024	15,040,449
	136,850,607	120,260,843
COMMITMENTS AND CONTINGENT LIABILITIES (Notes F and G)		
STOCKHOLDER'S EQUITY:		
Common stock, $1 par value, 1,000 shares authorized and outstanding, and additional capital (Note B)	33,806,307	3,806,307
Retained income (Notes D and F)	27,450,269	22,357,720
	61,256,576	26,164,027
	$591,054,185	$516,905,037

Consolidated Income Statement

	Year Ended December 31, 1975	1974 (Note B)
EARNED INCOME (Note A):		
Lease and other contract income	$45,019,477	$47,424,335
Investment tax credit amortization (Note F)	3,504,267	3,165,885
Gains on disposals of equipment	798,572	972,160
	49,322,316	51,562,380
EXPENSES:		
Interest, including $2,786,279 and $1,456,972 (net) to Greyhound, respectively	30,698,675	36,449,453
Provision for doubtful accounts	2,263,718	2,335,481
Selling, administrative and other operating expenses	4,056,685	3,541,365
	37,019,078	42,326,299
INCOME BEFORE FEDERAL INCOME TAXES	12,303,238	9,236,081
DEFERRED FEDERAL INCOME TAXES (Note F)	4,241,612	2,802,408
INCOME OF GREYHOUND LEASING AND CONSOLIDATED SUBSIDIARIES	8,061,626	6,433,673
EQUITY IN NET INCOME OF UNCONSOLIDATED SUBSIDIARY AND AFFILIATES:		
Greyhound AG (Note J)	2,273,209	1,996,995
Affiliates	607,714	175,940
NET INCOME	$10,942,549	$ 8,606,608

Consolidated Retained Income Statement

	1975	1974
Balance, beginning of year:		
As previously reported	$54,221,655	$49,157,582
Effect of transfer of investment in Greyhound Computer to Greyhound (Note B)	31,863,935	30,456,470
As adjusted	22,357,720	18,701,112
Net income	10,942,549	8,606,608
Dividends paid to Greyhound	(5,850,000)	(4,950,000)
Balance, end of year	$27,450,269	$22,357,720

See notes to consolidated financial statements.

Statement of Changes in Consolidated Financial Position

	Year Ended December 31, 1975	1974 (Note B)
SOURCE OF FUNDS:		
From operations:		
Net income	$ 10,942,549	$ 8,606,608
Provision for doubtful accounts	2,263,718	2,335,481
Collections on equipment lease and other contract receivables	85,948,579	85,211,812
Amortization of unearned rental income	(41,158,501)	(42,463,285)
Undistributed net income of unconsolidated subsidiary and affiliates	(1,914,230)	(1,344,491)
Deferred income taxes (Note F)	4,241,612	2,802,408
Tax benefits payable to Greyhound Leasing by Greyhound	6,970,000	10,625,000
Investment tax credits, less amortization	4,780,575	529,472
Gains on disposals of equipment	(798,572)	(972,160)
Total from operations	71,275,730	65,330,845
Additional long-term financing	55,131,779	19,650,000
Proceeds from disposals of rental equipment	14,241,416	14,002,151
Contribution to equity capital by Greyhound (Note B)	30,000,000	
Federal income tax benefits received from Greyhound for years prior to 1973		12,188,601
Increase in short-term bank loans	1,128,534	4,905,603
Increase in other short-term liabilities	4,046,468	940,727
	175,823,927	117,017,927
USE OF FUNDS:		
Retirement of long-term debt	37,839,946	26,129,699
Expenditures for leased equipment and other contract receivables	124,501,915	81,135,643
Dividends paid to Greyhound	5,850,000	4,950,000
Increase in current federal income taxes due from Greyhound	2,064,895	2,218,521
Purchase of capital stock of:		
Greyhound AG		4,617,000
Affiliates		1,225,351
Other items, net	2,962,348	164,518
	173,219,104	120,440,732
INCREASE (DECREASE) IN CASH	$ 2,604,823	$ (3,422,805)

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended December 31, 1975 and 1974

Note A — Significant Accounting Policies:

1. Principles of Consolidation:

The accompanying financial statements include the accounts of Greyhound Leasing & Financial Corporation ("Greyhound Leasing") and its continuing subsidiaries after the reorganization described in Note B below, except for Greyhound Financial & Leasing Corporation AG ("Greyhound AG"), a 63 per cent owned Swiss Corporation. Investments in Greyhound AG and in foreign affiliates, in which Greyhound Leasing owns 50 per cent or less of the voting stock, are carried at cost plus equity in net income or loss since acquisition, adjusted for amortization of the difference between cost and underlying equity in net assets of Greyhound AG at dates of acquisition. The excess of the cost of investment in Greyhound AG over the underlying equity in net assets is being amortized as a charge to income over 40 years.

All material intercompany transactions and accounts are eliminated in consolidation. Certain reclassifications of 1974 figures have been made to conform the accounts to the 1975 classifications.

Greyhound Leasing is a wholly-owned subsidiary of The Greyhound Corporation ("Greyhound"). In view of such ownership, per share data are not presented.

2. Accounting for Earned Income:

a. Equipment leases — Substantially all equipment leases are finance leases whereby Greyhound Leasing is entitled to receive as rent an amount equal to or greater than the equipment cost over the non-cancellable lease term. Contracts receivable, unearned income and the residual value of equipment are recorded when lease contracts become effective. The unearned income (representing the difference between aggregate lease rentals or other payments and the cost of the related equipment, commissions and other direct expenses, less estimated residual value at the end of the lease terms) is generally taken into income on a declining basis over the life of the related lease. Substantially all selling and administrative expenses incident to consummating and recording leases are charged to income when incurred. No earned income to offset these expenses is recognized at the time the leases are recorded.

b. Investment tax credits — Investment tax credits on leased equipment are deferred and amortized by credits to income, generally over the original terms of the leases, on a declining basis corresponding to the method of reflecting income from leases and are included in the income statement as earned income. Investment tax credits in 1974, which were reflected as a reduction of the provision for income taxes, have been reclassified to earned income.

c. Gains or losses on disposals of equipment — The carrying amounts of assets sold or disposed of, including the residual value of leased equipment, are eliminated from the accounts. Gains or losses on such sales or other disposals are reflected in income.

3. Federal Income Taxes:

Deferred federal and foreign income taxes are provided on timing differences between tax and financial reporting.

Greyhound Leasing and its domestic subsidiaries are included in consolidated federal income tax returns filed by Greyhound. Upon realization, Greyhound pays to Greyhound Leasing an amount equal to the tax benefits to Greyhound (from tax losses resulting from timing differences and from utilization of investment tax credits) which arise from inclusion in Greyhound's consolidated federal income tax returns and which benefits would not have been realized had separate returns been filed.

4. Foreign Currency Translations:

At December 31, 1975, assets and liabilities of Canadian and foreign subsidiaries have been translated into U.S. dollar equivalents in accordance with the guidelines of Financial Accounting Standards Board Statement No. 8. Under these guidelines, assets and liabilities have been translated at the rate of exchange in effect at the end of the year except for certain long-term assets, principally estimated residual values and goodwill, and certain deferred items, which are translated at historical rates of exchange. Net income has been translated at average rates prevailing during the year. Translation gains and losses are included in income.

The principal differences between the above bases of translation and the methods previously applied arise from the translation of assets and liabilities at the approximate current rates of exchange and the inclusion of unrealized exchange gains or losses in income. The cumulative effect of the change in translation method in 1975 was not material and is included in 1975 income.

Note B — Reorganization of Greyhound Leasing:

Pursuant to a reorganization of the corporate structure of leasing subsidiaries of Greyhound in February, 1976, Greyhound Leasing transferred its 84 per cent capital stock interest in Greyhound Computer Corporation ("Greyhound

Computer") to Greyhound. The accompanying financial statements give retroactive effect to the reorganization and reflect the historical operations of Greyhound Leasing, excluding the results of operations of Greyhound Computer. The carrying amount of Greyhound Leasing's investment in Greyhound Computer transferred to Greyhound was $47,903,000 at January 1, 1975, of which $16,039,000 was charged to additional capital and $31,864,000 to retained income. In addition, previously reported net income for 1974 was reduced from $10,014,000 to $8,607,000 after elimination of the equity in net income of Greyhound Computer.

In December, 1975, Greyhound contributed its investment in $20,000,000 of 6½ per cent capital notes of Greyhound Leasing and $10,000,000 in cash to additional capital of Greyhound Leasing.

Note C — Short-term Financing:

Greyhound Leasing's short-term bank loans outstanding at December 31, 1975 include borrowings of $2,680,000 of its Canadian subsidiary under short-term lines of credit totaling $9,000,000, with interest ranging from the Canadian bank prime rate to ½ of 1 per cent over such bank prime rate and, for $7,000,000 of the credit lines, with commitment fees of ½ of 1 per cent on the unused portion.

Notes issued for borrowings under the $5,000,000 Eurodollar revolving credit agreement, expiring in 1980, are for a maximum period of 180 days and may be renewed until termination of the agreement unless there is a material adverse change in the financial condition of Greyhound Leasing. Loans bear interest at 1¼ per cent over the London inter-bank offered rate and the agreement requires a commitment fee of ½ of 1 per cent of the unused commitment. Greyhound Leasing's intention is to renew these notes until scheduled repayments of $1,000,000 in 1978, $1,500,000 in 1979 and $2,500,000 in 1980.

The following information pertains to all short-term financing of Greyhound Leasing for the years ended December 31, 1975 and 1974:

	1975	1974
Average interest rates on short-term debt at end of year	8.5%	11.4%
Maximum amount of short-term debt outstanding during year	$10,307,000	$19,853,000
Average month-end short-term debt outstanding during year	$ 5,707,000	$ 9,681,000
Weighted average interest rate on short-term debt outstanding during year	9.4%	11.4%

Note D — Long-term Debt:

At year-end, long-term debt, less the portion due within one year, includes the following:

	1975	1974
Senior debt:		
Loans payable to banks:		
Revolving credit loans, 7⅛% at December 31, 1975	$236,250,000	$203,125,000
Term loans, due 1977 to 1979, 8⅝% to 9⅝% at December 31, 1975	4,650,000	4,650,000
Limited recourse installment notes, due to 1991, 4-7/10% to 9⅞%	37,530,010	24,856,930
6% Senior notes, due to 1981	10,058,570	11,973,887
8⅞% Senior notes, due 1980 to 1988	15,000,000	15,000,000
Eurodollar loan, due to 1979, 7½% at December 31, 1975	2,644,387	4,587,801
Other	4,569,931	1,548,801
	310,702,898	265,742,419
Subordinated debt:		
Senior subordinated notes, due to 1983, 6½% to 8⅝% at December 31, 1975	24,911,000	29,880,000
Junior subordinated Eurodollar loans, due to 1983, 8% to 8⅞% at December 31, 1975	17,125,000	20,350,000
Greyhound capital notes, 6½%		20,000,000
	42,036,000	70,230,000
	$352,738,898	$335,972,419

Revolving credit loans payable to banks are borrowed under a $300,000,000 revolving credit agreement bearing interest on outstanding amounts at ⅛ of 1 per cent over the agent bank prime rate, and requiring ¼ of 1 per cent facility fee on the total bank commitment and ½ of 1 per cent fee on the unused commitments. Greyhound Leasing maintains compensating balances of approximately 15 per cent of its revolving credit agreement commitments. Compensating balances under these arrangements averaged

$43,881,000 in 1975, of which $28,214,000 was provided by Greyhound. Greyhound Leasing pays Greyhound interest for the use of certain of Greyhound's funds utilized as compensating balances at ½ of 1 per cent above the banks' prime interest rate for Greyhound's short-term borrowings. There are no restrictions on the funds required to be maintained as compensating balances.

The revolving credit agreement is renewable annually in May of each year; however, if loans with any or all participating banks are not then renewed, Greyhound Leasing may, at its option, repay the non-renewing bank's participation immediately or over an eight year period in equal quarterly installments. So long as the agreement is renewed and Greyhound Leasing complies with specified financial condition tests, no repayments of principal are required.

Certain loans, other than those under the revolving credit agreement, provide for interest to fluctuate with the London inter-bank offered rate and generally require commitment fees of ½ of 1 per cent of the unused commitments. At December 31, 1975, loans aggregating $28,912,000 had interest generally ranging from ¾ of 1 per cent to 1¼ per cent over the London inter-bank offered rate. There were no unused commitments under such loans at December 31, 1975.

The holders of limited recourse installment notes have no recourse other than to assigned and pledged assets with the following carrying amounts at December 31, 1975: lease contract receivables ($53,744,000), residual value of rental equipment ($17,890,000) and cash ($910,000).

Annual installments on long-term debt outstanding at December 31, 1975, other than amounts which could become payable under the revolving credit agreement, described above, due during the years ending December 31, to 1991, will approximate $23,690,000 (1977); $13,934,000 (1978); $13,946,000 (1979); $9,204,000 (1980); $17,491,000 (1981); $8,052,000 (1982) and $30,172,000 thereafter.

The agreements pertaining to long-term debt contain various restrictive covenants and require the maintenance of certain defined financial ratios. The scheduled maturity payments in some instances may be accelerated upon occurrence of an event of default, including in certain instances a material adverse change in the financial condition of Greyhound Leasing or Greyhound. Retained income of $501,000 was unrestricted as to the payment of cash dividends at December 31, 1975. Other provisions require Greyhound Leasing to maintain $1,000,000 of working capital. At December 31, 1975, working capital, as defined, was approximately $11,800,000.

Note E — Equipment Lease and Other Contract Receivables:

Equipment lease and other contract receivables aggregating $686,393,000 at December 31, 1975, are due in installments during the years ending December 31, to 1991, as follows: $90,021,000 (1976); $84,683,000 (1977); $79,127,000 (1978); $72,819,000 (1979); $60,868,000 (1980); $52,075,000 (1981); $44,194,000 (1982) and $202,606,000 thereafter.

Since 1971 Greyhound Leasing has written a substantial number of leases with rentals fluctuating with changes in the bank prime rate of interest. Periodic adjustments are made to lease receivables and unearned income for the changes in interest rates. However, due to timing differences in the adjustment of interest and lease rental rates, changes in the bank prime rate can have a significant effect on net income.

Note F — Income Taxes:

As a result of timing differences between tax and financial reporting, Greyhound Leasing has reported losses for tax purposes in 1975 and 1974. The inclusion of Greyhound Leasing in the consolidated federal income tax returns of Greyhound has resulted in the utilization of such tax losses by Greyhound. Greyhound pays to Greyhound Leasing an amount equal to the tax reductions realized by Greyhound as the result of the inclusion of Greyhound Leasing's tax losses in Greyhound's consolidated tax returns. The aggregate tax effect of the timing differences, set forth below, includes the amounts recoverable from Greyhound and the provision for deferred federal income taxes in the financial statements.

	1975	1974
Deferred taxes arising from timing differences related to:		
Lease rentals and related depreciation	$17,334,000	$17,832,000
Gains on disposals of equipment	(3,318,000)	(1,933,000)
Interest income	(701,000)	(1,731,000)
Provision for doubtful accounts	(1,087,000)	(1,121,000)
Interest expense	(852,000)	737,000
Advance rentals and deposits		120,000
Other	(164,388)	(476,592)
Total deferred taxes arising from timing differences	$11,211,612	$13,427,408
Portion representing benefits (exclusive of investment tax credits) resulting from inclusion in Greyhound's consolidated federal income tax returns	$ 6,970,000	$10,625,000
Portion representing provision for deferred federal income taxes based upon financial statement income	$ 4,241,612	$ 2,802,408

The effective federal income tax rate of Greyhound Leasing reflected in the financial statements approximates the statutory rate of 48 per cent of income before federal income taxes after deducting from pre-tax income the amortization of investment tax credits included in earned income.

Investment tax credits of Greyhound Leasing are utilized as a reduction of the consolidated federal income tax liability of Greyhound. Since Greyhound Leasing reported losses for federal income tax purposes, such credits would not have been available to Greyhound Leasing as a reduction of federal income taxes on a separate return basis. Investment tax credits utilized in Greyhound's consolidated federal income tax returns, and the benefits therefrom paid to Greyhound Leasing by Greyhound, were $8,285,000 and $3,695,000, respectively, during the years ended December 31, 1975 and 1974. In the financial statements of Greyhound Leasing the amounts received from Greyhound as a result of utilization of the investment tax credits are deferred and amortized by credits to earned income on a declining basis corresponding to the method of reflecting income from leases.

The Internal Revenue Service ("IRS") has proposed additional tax assessments for the years 1962 to 1968 of $27,200,000 plus interest thereon. Greyhound Leasing intends to contest the assessments and in the opinion of both management and Greyhound Leasing's independent tax counsel the ultimate liability should be far less than that proposed by the IRS.

The proposed assessments relate to aircraft leases, proposed by the IRS to be treated as installment sales contracts. The IRS's position, if sustained, would disallow investment tax credits and require earlier recognition of taxable income on the transactions. The amount of additional tax liability which would result from the proposed additional assessments, if the IRS's position should be sustained, would be $13,600,000 after giving effect to reductions in taxable income for 1969 through 1975 as a result of the earlier recognition of income proposed by the IRS. Interest (net after tax) to December 31, 1975, on such adjusted amount approximates $7,400,000.

The major portion ($17,900,000 including interest) of such adjusted amount relates to leases entered into from November, 1964 through 1968, which leases contained fixed price purchase options, but did not provide for rentals sufficient to recover Greyhound Leasing's investment. With respect to these leases it is the opinion of both management and independent tax counsel that the position of the IRS is contrary to recently decided cases and without significant support.

The balance of such adjusted amount ($3,100,000 including interest) relates to leases entered into from 1962 through November, 1964 which contained fixed price purchase options and provided rentals to Greyhound Leasing sufficient to recover its investment in the leased equipment. In the opinion of its independent tax counsel, recent court decisions tend to support Greyhound Leasing's position with respect to these leases.

In the opinion of management, final settlement of the proposed assessments discussed above will not have a material effect upon the financial condition of Greyhound Leasing.

At December 31, 1975, consolidated retained income includes approximately $8,613,000 of retained income of foreign subsidiaries on which no deferred federal income taxes have been provided because management considers that such income has been permanently invested.

Note G — Commitments and Contingent Liabilities:

At December 31, 1975, Greyhound Leasing had commitments to purchase lease equipment during the next twelve months for approximately $50,000,000. In addition, at that date, Greyhound Leasing had guaranteed bank credit of an affiliate of $3,850,000 of which $3,647,000 was outstanding.

On July 30, 1975, a civil action was commenced against Greyhound Leasing and The Home Insurance Company in the United States District Court for the District of Puerto Rico, by certain lessees, and affiliates thereof, of Boothe Leasing Corporation of Puerto Rico, Inc., a small subsidiary of Greyhound Leasing. This action claims damages in the aggregate amount of $33,050,000 for alleged wrongful attachment of equipment, property and assets of the plaintiffs arising from the lessees' alleged failure to pay rentals due under the leases. The Puerto Rico subsidiary is not a defendant but is alleged to have acted as agent for Greyhound Leasing. Management of Greyhound Leasing, upon advice of Puerto Rico counsel, believes that any liability resulting from this action will not have a material effect upon the financial condition of Greyhound Leasing.

Note H — Pension and Management Incentive Plans:

Substantially all U.S. employees of Greyhound Leasing with one year of service as of January 1, are included as part of the non-contributory pension plan of Greyhound. Charges to income in 1975 and 1974 for contributions under this plan were $106,000 and $87,000, respectively.

Under the management incentive plans for officers and key employees, additional compensation is paid in varying amounts. The funds from which such incentive compensation is paid are generally determined based upon specified percentages of income in excess of pre-established objectives. Amounts charged to income for the above plans were $263,000 and $90,000, respectively, in 1975 and 1974.

Note I — Transactions with Greyhound:

The executive, financial, legal, tax and other corporate staff departments of Greyhound perform services for Greyhound Leasing, and Greyhound furnishes office space and office services for Greyhound Leasing, at charges which are intended to provide no profit to Greyhound. Greyhound provides data processing services to Greyhound Leasing at rates which are believed to be competitive with those of third-party data processing firms. In addition, Greyhound and Greyhound Leasing have from time to time entered into other arrangements which have not in any one year been material.

Note J — Investment in Greyhound AG:

The condensed consolidated financial information of Greyhound AG presented below on the Greyhound Leasing cost basis reflects (1) the goodwill arising on the acquisition of Greyhound AG by Greyhound Leasing and the amortization of such goodwill over 40 years, (2) deferred taxes retroactively provided on depreciation timing differences of a United Kingdom subsidiary, for periods prior to January 1, 1974, which will be provided in the accounts of Greyhound AG in 1976 as required by a change in United Kingdom accounting principles effective January 1, 1976, and (3) United States federal income taxes paid by Greyhound Leasing on the dividends received from Greyhound AG. These adjustments reduce Greyhound AG's reported net income by $565,000 (1975) and $458,000 (1974).

Financial Condition, December 31:

	1975	1974
Assets:		
Receivables, net	$91,260,361	$78,946,838
Residual of rental equipment	1,347,905	2,710,388
Other assets	3,330,412	10,331,614
Goodwill, less amortization	3,769,966	3,870,952
	$99,708,644	$95,859,792
Liabilities and Equity:		
Short-term liabilities	$38,995,330	$36,366,056
Long-term debt	26,446,450	27,741,292
Deferred items	4,119,636	4,490,719
Outside shareholders' equity	9,790,555	8,675,583
Greyhound Leasing's equity	20,356,673	18,586,142
	$99,708,644	$95,859,792

Income Summary, Year Ended December 31:

	1975	1974
Revenues	$14,454,072	$14,670,871
Costs and expenses:		
Interest	6,663,207	8,091,781
Other	3,084,545	2,649,225
	9,747,752	10,741,006
Income before income taxes	4,706,320	3,929,865
Income taxes	742,214	470,289
Net income	3,964,106	3,459,576
Outside shareholders' equity in net income	1,690,897	1,462,581
Greyhound Leasing's equity in net income	$ 2,273,209	$ 1,996,995

Note K — Subsequent Event:

Greyhound Leasing anticipates a public offering in March, 1976 of $50,000,000 of notes due April 1, 1984. If the offering is accomplished, the proceeds of the sale will be used to finance the purchase of equipment for lease to others.

Transfer Agents*

Common Stock certificates may be transferred at the following transfer agents' offices:

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, New York 10015

Crocker National Bank
130 Sutter Street, 2nd Floor
San Francisco, California 94104

Transfer of warrant certificates representing New York Stock Exchange listed warrants can only be made at the following agent's office:

First National City Bank
111 Wall Street
New York, New York 10015

**Change of address and inquiries regarding dividend payments or related to common stock accounts or warrant accounts should be sent directly to:*
The Greyhound Corporation
P.O. Box 21688
Phoenix, Arizona 85036

Stock Exchanges

Common stock of The Greyhound Corporation is listed and traded on the New York and Pacific Coast stock exchanges. It also is traded on the Midwest, PBW, Detroit and Cincinnati exchanges.

3% second preference stock of The Greyhound Corporation is not listed or traded on any market.

NYSE Quotations

	1975		1974	
Common Stock	High	Low	High	Low
Calendar Quarters:				
First	13½	10½	18⅝	14
Second	14⅞	11	16⅜	13⅝
Third	15¼	12	14⅛	9¾
Fourth	14¼	12	12⅞	9¾

3% Second Preference Stock — none available.

Corporate Headquarters

The Greyhound Corporation
Greyhound Tower
Phoenix, Arizona 85077
(602) 248-4000

Annual Meeting

You are cordially invited to attend the annual meeting of stockholders to be held May 11, 1976, starting at 9:30 a.m., in the Coronado Room at Del Webb's TowneHouse, 100 West Clarendon Avenue, Phoenix, Arizona

GERALD H. TRAUTMAN
Chairman, The Greyhound Corporation

cannery workers. Greyhound is a means by which these shareholders can have an ownership stake in the largest bus company in the world, the very substantial food operations of Armour and our other associated operations. Finally, and perhaps most important because it is essential to the maintenance of our democratic form of government, Greyhound pays a substantial amount annually to local, state and federal governments as taxes. In 1975, The Greyhound Corporation paid approximately $100 million in total taxes in the U.S.

There is a basic lesson here for those who would destroy a system which, while admittedly not perfect, is the best that human endeavor has devised–that the corporate system in America is simply a means by which many individuals are enabled to enjoy a standard of living and form of government not equaled anywhere in the world.

And so I urge our employees and shareholders to speak up for the corporate system. If we do not, who will?

Gerald H. Trautman